

Table 1 T

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$533,202    | \$531,058    | \$516,782    | \$474,013    | \$611,349    |
| 2 Accounts Receivable (Net)               | 1,278,897    | 1,366,073    | 1,216,082    | 2,555,861    | 2,891,003    |
| 3 Current Deferred Income Taxes           | 219          | 498          | 336          | 331,006      | 335,021      |
| 4 Other Current Assets                    | 260,535      | 282,711      | 279,558      | 388,468      | 559,972      |
| 5 Total Current Assets                    | 2,072,854    | 2,180,340    | 2,012,758    | 3,749,349    | 4,397,345    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 635,480      | 396,054      | 309,262      | 703,894      | (197,890)    |
| 7 Unamortized Debt Issuance Costs         | 12,137       | 13,522       | 14,879       | 61,337       | 105,077      |
| 8 Deferred Charges                        | 171,962      | 248,406      | 674,406      | 674,151      | 709,141      |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 14,376       | 8,968        | 8,758        | 1,618,529    | 1,951,154    |
| 11 Other Non-Current Assets               | 624,682      | 833,422      | 837,128      | 810,049      | 556,772      |
| 12 Total Non-Current Assets               | 1,458,637    | 1,500,373    | 1,844,434    | 3,867,959    | 3,124,254    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 33,754,697   | 33,286,321   | 33,365,894   | 32,736,782   | 32,024,051   |
| 14 Less: Accumulated Depr and Amort.      | 21,927,878   | 21,226,826   | 20,390,940   | 18,796,098   | 17,761,593   |
| 15 Net Regulated Plant                    | 11,826,819   | 12,059,495   | 12,974,955   | 13,940,683   | 14,262,458   |
| 16 Total Assets & Other Debits            | \$15,358,310 | \$15,740,208 | \$16,832,147 | \$21,557,992 | \$21,784,057 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$883,358    | \$1,165,188  | \$1,460,835  | \$3,680,996  | \$1,826,825  |
| 18 Notes Payable                          | 3,628,674    | 2,722,602    | 2,660,318    | 2,054,298    | 2,131,452    |
| 19 Advanced Billings                      | 174,493      | 190,768      | 200,132      | 206,944      | 218,407      |
| 20 Customer Deposits                      | 7,874        | 8,339        | 9,228        | 9,857        | 7,085        |
| 21 Current Maturities - Long-Term Debt    | 5,362        | 7,714        | 207,301      | 155,618      | 359,952      |
| 22 Current Deferred Income Taxes          | 38,633       | 11,693       | (88,518)     | 389,689      | 519,994      |
| 23 Other Current Liabilities              | 652,196      | 679,546      | 813,877      | 994,953      | 1,150,013    |
| 24 Total Current Liabilities              | 5,390,591    | 4,785,850    | 5,263,173    | 7,492,356    | 6,213,728    |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 2,943,851    | 2,954,251    | 2,971,502    | 3,868,233    | 4,796,748    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        | 23,270       | 25,482       | 27,957       | 87,884       | 94,311       |
| 27 Non-Current Deferred Taxes             | 549,279      | 436,008      | 639,400      | 2,202,339    | 2,311,717    |
| 28 Other Deferred Credits                 | 244,076      | 294,014      | 885,933      | 712,434      | 785,594      |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 3,706,415    | 4,459,565    | 4,540,819    | 4,013,944    | 3,795,526    |
| 31 Total Other Liab. and Def. Credits     | 4,523,040    | 5,215,069    | 6,094,110    | 7,016,601    | 6,987,147    |
| <b>STOCKHOLDER'S EQUITY</b>               |              |              |              |              |              |
| 32 Common Stock                           | 29,566       | 29,566       | 29,566       | 29,566       | 32,988       |
| 33 Preferred Stock                        | 927          | 927          | 1,013        | 1,013        | 1,015        |
| 34 Other Paid in Capital                  | 2,683,867    | 2,682,325    | 2,116,346    | 2,106,606    | 2,098,691    |
| 35 Retained Earnings                      | (213,531)    | 72,220       | 356,436      | 1,043,616    | 1,652,485    |
| 36 Total Stockholder's Equity             | 2,500,829    | 2,785,038    | 2,503,361    | 3,180,802    | 3,785,180    |
| 37 Total Liab. and Stockholder's Equity   | \$15,358,310 | \$15,740,208 | \$16,832,147 | \$21,557,992 | \$21,782,803 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |    |
|---|-------------|-------------|-------------|-------------|-------------|----|
| <b>TELEPHONE OPERATING REVENUES</b>           |             |             |             |             |             |    |
| Local Network Services                        |             |             |             |             |             | 1  |
| Network Access Services                       | 2,496,956   | 2,536,691   | 2,494,329   | 2,578,678   | 2,632,939   | 2  |
| Long Distance Network Services                | 155,158     | 177,714     | 185,174     | 213,341     | 188,572     | 3  |
| Miscellaneous Revenues                        | 1,147,550   | 1,332,562   | 1,529,821   | 1,384,931   | 1,460,718   | 4  |
| Less: Uncollectible Revenues                  | 43,201      | 82,563      | 51,026      | 202,941     | 341,974     | 5  |
| Total Operating Revenues                      | 6,721,298   | 7,139,842   | 7,632,191   | 7,827,351   | 8,219,824   | 6  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |             |             |             |             |             |    |
| Network Support Expenses                      | 19,928      | 17,233      | 14,904      | 11,435      | 11,848      | 7  |
| General Support Expenses                      | 486,098     | 481,540     | 501,949     | 458,867     | 430,448     | 8  |
| Central Office Switching                      | 262,220     | 264,336     | 261,667     | 243,867     | 250,180     | 9  |
| Operator Systems Expense                      | 739         | 1,120       | 893         | 713         | 1,066       | 10 |
| Central Office Transmission                   | 137,523     | 135,887     | 130,098     | 126,758     | 122,493     | 11 |
| Info. Origination/Termination                 | 309,824     | 285,597     | 302,992     | 308,526     | 261,887     | 12 |
| Cable & Wire Facilities                       | 1,119,694   | 1,113,271   | 1,096,016   | 1,014,055   | 875,318     | 13 |
| Total Plant Specific Operations               | 2,336,026   | 2,298,982   | 2,308,519   | 2,164,222   | 1,953,241   | 14 |
| Other Plant, Property & Equipment             | 10,030      | 13,864      | 8,408       | 7,999       | 2,615       | 15 |
| Network Operations                            | 867,448     | 844,357     | 796,145     | 875,037     | 712,563     | 16 |
| Access Expense                                | 172,510     | 189,427     | 175,656     | 181,755     | 234,407     | 17 |
| Depreciation and Amortization                 | 1,703,941   | 1,831,106   | 2,298,959   | 2,289,236   | 2,328,730   | 18 |
| Total Plant Non-Specific Operations           | 2,753,929   | 2,878,754   | 3,279,169   | 3,354,027   | 3,278,315   | 19 |
| Marketing Expense                             | 324,353     | 308,485     | 307,524     | 311,189     | 316,722     | 20 |
| Services Expense                              | 699,909     | 731,325     | 725,700     | 754,092     | 676,869     | 21 |
| Total Customer Operations                     | 1,024,263   | 1,039,809   | 1,033,224   | 1,065,281   | 993,591     | 22 |
| Executive & Planning                          | 43,363      | 49,703      | 84,949      | 70,442      | 72,576      | 23 |
| General & Administrative                      | 1,073,459   | 1,021,026   | 1,116,245   | 1,945,829   | 1,584,945   | 24 |
| Provision - Uncollectible Notes Rec.          |             |             | 0           | 0           | 0           | 25 |
| Other   |             |             |             |             |             | 26 |
| Total Corporate Operations                    | 1,116,822   | 1,070,729   | 1,201,195   | 2,016,270   | 1,657,521   | 27 |
| Total Operations Expense                      | 7,231,039   | 7,288,274   | 7,822,107   | 8,599,800   | 7,882,668   | 28 |
| Other Operating Income & Expenses             | 138,559     | 310,827     | (423)       | (9,941)     | (4,322)     | 29 |
| State & Local Income Taxes                    | 5,104       | 390         | 126         | 59          | 79          | 30 |
| Other Taxes                                   | 577,345     | 557,259     | 622,347     | 722,231     | 623,262     | 31 |
| <b>Net Operating Income Before FIT</b>        | (953,631)   | (395,254)   | (812,812)   | (1,504,679) | (290,507)   | 32 |
| Investment Tax Credits - Net                  | 2,211       | 2,472       | 10,017      | 3,151       | 6,256       | 33 |
| Federal Income Taxes                          | (286,289)   | (9,407)     | (484,355)   | (520,569)   | (248,184)   | 34 |
| Provision - Def. Operating Income Taxes - Net | (90,539)    | (184,522)   | 148,362     | (82,300)    | 84,683      | 35 |
| <b>Net Operating Income</b>                   | (\$574,591) | (\$198,852) | (\$466,802) | (\$898,659) | (\$120,749) | 36 |

Table 3 T

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

|   | 2006        | 2005       | 2004        | 2003        | 2002        |
|---|-------------|------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      |             |            |             |             |             |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |            |             |             |             |
| 38 Dividend Income                                  | 83          | 795        | 487         | 303         | 282         |
| 39 Interest Income                                  | 44,204      | 20,122     | 33,356      | 11,286      | 17,649      |
| 40 Income - Sinking and Other Funds                 | 236         | 63         |             | 1           |             |
| 41 Allowance for Funds Used During Construction     | 21,504      | 18,925     | 9,896       | 13,865      | 33,814      |
| 42 Gains/Losses - Disposal of Property              | 1,072       | 105        | 385         | 48          | (201)       |
| 43 Equity in Earnings of Affiliated Companies       | 31,343      | 48,867     | 118,310     | 41,618      | 83,751      |
| 44 Other Non-Operating Income                       | 22,851      | 9,071      | 37,182      | 78,842      | (2,629)     |
| 45 Special Charges                                  | 15,150      | 16,946     | 18,427      | 13,255      | 14,374      |
| 46 Total Non-Operating Income & Expenses            | 106,155     | 81,000     | 181,189     | 132,707     | 118,293     |
| <b>NON-OPERATING TAXES</b>                          |             |            |             |             |             |
| 47 Federal Income Taxes                             | 14,690      | 126        | 24,590      | 29,003      | 9,850       |
| 48 Other  | 6,024       | 24,562     | 2,704       | 5,097       | 5,854       |
| 49 Total Non-Operating Taxes                        | 20,713      | 24,688     | 27,294      | 34,099      | 15,704      |
| 50 Income Available Before Interest Charges         | (489,149)   | (142,541)  | (312,907)   | (800,051)   | (18,160)    |
| <b>INTEREST CHARGES</b>                             |             |            |             |             |             |
| 51 Interest on Funded Debt                          | 205,713     | 208,823    | 234,104     | 301,037     | 292,119     |
| 52 Other Interest Expense                           | 193,388     | 151,751    | 79,969      | 134,244     | 118,147     |
| 53 Total Interest Charges                           | 399,101     | 360,574    | 314,073     | 458,531     | 410,265     |
| 54 Income Before Extraordinary & Nonreg Items       | (888,250)   | (503,115)  | (626,980)   | (1,258,582) | (428,425)   |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |            |             |             |             |
| 55 Extraordinary Items                              | 622         |            |             | (453,043)   | 86          |
| 56 Nonregulated Revenues                            | 234,735     | 239,770    | 215,933     | 225,233     | 284,441     |
| 57 Total Extraordinary & Nonregulated Items         | 235,356     | 239,770    | 215,933     | (227,810)   | 284,527     |
| 58 <b>Net Income</b>                                | (\$65,276)  | (\$26,329) | (\$41,096)  | (\$148,609) | (\$14,387)  |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |            |             |             |             |
| Unappropriated Retained Earnings:                   |             |            |             |             |             |
| 59 Beginning Year Balance                           | (\$19,211)  | \$314,760  | \$1,048,553 | \$1,575,789 | \$2,534,730 |
| 60 Transferred from Income                          | (684,604)   | (312,211)  | (455,148)   | (556,706)   | (167,489)   |
| 61 Appropriations                                   |             |            |             |             |             |
| Dividends Declared:                                 |             |            |             |             |             |
| 62 Preferred Stock                                  | 49          | 51         | 54          | 54          | 54          |
| 63 Common Stock                                     | 26,514      | 105,748    | 100,117     | 207,162     | 222,987     |
| 64 Adjustments                                      | (393,514)   | (87,889)   | (173,626)   | 230,467     | (568,412)   |
| 65 Ending Year Balance                              | (332,865)   | (16,202)   | 319,609     | 1,042,332   | 1,575,789   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 119,334     | 88,422     | 36,827      | 1,333       | 26,400      |
| 67 <b>Total Retained Earnings</b>                   | (\$213,531) | \$72,220   | \$356,436   | \$1,043,665 | \$1,602,189 |

Table 1 WT

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$50,089    | \$45,861    | \$69,782    | \$56,690    | \$56,488    |
| 2 Accounts Receivable (Net)               | 202,276     | 234,416     | 225,058     | 1,257,420   | 1,146,308   |
| 3 Current Deferred Income Taxes           | 219         | 498         | 336         | 311         | 4,325       |
| 4 Other Current Assets                    | 27,925      | 29,186      | 28,530      | 33,258      | 39,672      |
| 5 Total Current Assets                    | 280,509     | 309,961     | 323,707     | 1,347,679   | 1,246,793   |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             | 296,209     | 44,277      | (38,979)    | 357,579     | (537,389)   |
| 7 Unamortized Debt Issuance Costs         | 308         | 386         | 437         | 491         | 423         |
| 8 Deferred Charges                        | 5,342       | 10,779      | 11,155      | 10,359      | 9,901       |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      | 14,376      | 8,968       | 8,758       | 8,043       | 340,668     |
| 11 Other Non-Current Assets               | 207,967     | 209,572     | 213,469     | 219,620     | 233,051     |
| 12 Total Non-Current Assets               | 524,202     | 273,983     | 194,839     | 596,093     | 46,654      |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 3,543,404   | 3,472,326   | 3,413,223   | 3,333,981   | 3,260,320   |
| 14 Less: Accumulated Depr and Amort.      | 2,221,796   | 2,070,638   | 1,932,258   | 1,777,718   | 1,626,905   |
| 15 Net Regulated Plant                    | 1,321,609   | 1,401,689   | 1,480,965   | 1,556,263   | 1,633,415   |
| 16 Total Assets & Other Debits            | \$2,126,320 | \$1,985,633 | \$1,999,511 | \$3,500,035 | \$2,926,862 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | \$95,983    | \$121,682   | \$192,279   | \$1,714,667 | \$70,781    |
| 18 Notes Payable                          | 2,883       | 4,483       | 6,518       | 6,997       | 12,460      |
| 19 Advanced Billings                      | 14,637      | 12,963      | 13,268      | 12,779      | 11,964      |
| 20 Customer Deposits                      | 227         | 298         | 360         | 399         | 530         |
| 21 Current Maturities - Long-Term Debt    | 3,826       | 5,990       | 6,198       | 4,690       | 9,352       |
| 22 Current Deferred Income Taxes          | (18)        | (11)        | (14)        | 326         | 948         |
| 23 Other Current Liabilities              | 27,161      | 18,535      | 24,008      | 26,916      | 17,175      |
| 24 Total Current Liabilities              | 144,698     | 163,941     | 242,616     | 1,766,774   | 123,209     |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         | 43,479      | 55,009      | 74,990      | 78,498      | 661,672     |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        | 20          | 28          | 44          | 109         | 3,509       |
| 27 Non-Current Deferred Taxes             | 209,441     | 195,543     | 169,766     | 159,786     | 690,793     |
| 28 Other Deferred Credits                 | 27,716      | 16,484      | 18,153      | 20,182      | 28,655      |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      | 143,095     | 134,185     | 129,752     | 140,827     | 118,653     |
| 31 Total Other Liab. and Def. Credits     | 380,273     | 346,240     | 317,715     | 320,903     | 841,610     |
| <b>STOCKHOLDER'S EQUITY</b>               |             |             |             |             |             |
| 32 Common Stock                           | 28,566      | 28,566      | 28,566      | 28,566      | 31,988      |
| 33 Preferred Stock                        | 927         | 927         | 1,013       | 1,013       | 1,015       |
| 34 Other Paid in Capital                  | 548,720     | 547,158     | 544,178     | 543,572     | 536,408     |
| 35 Retained Earnings                      | 979,657     | 843,791     | 790,432     | 760,707     | 729,705     |
| 36 Total Stockholder's Equity             | 1,557,870   | 1,420,442   | 1,364,189   | 1,333,859   | 1,299,117   |
| 37 Total Liab. and Stockholder's Equity   | \$2,126,320 | \$1,985,633 | \$1,999,511 | \$3,500,035 | \$2,926,862 |

Table 2 WT

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

| INCOME STATEMENT                              | 2006             | 2006             | 2006             | 2006             | 2006             |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$326,776        | \$343,882        | \$349,594        | \$352,074        | \$353,236        | 1         |
| Network Access Services                       | 357,159          | 405,914          | 400,590          | 398,183          | 386,818          | 2         |
| Long Distance Network Services                | 6,867            | 8,092            | 9,243            | 10,297           | 11,178           | 3         |
| Miscellaneous Revenues                        | 192,191          | 152,695          | 154,037          | 158,468          | 167,672          | 4         |
| Less: Uncollectible Revenues                  | 6,714            | 5,835            | 6,737            | 14,614           | 7,945            | 5         |
| Total Operating Revenues                      | 876,280          | 904,748          | 906,727          | 904,408          | 910,958          | 6         |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 1,115            | 1,079            | 1,322            | 1,001            | 2,179            | 7         |
| General Support Expenses                      | 39,852           | 43,242           | 57,482           | 45,570           | 42,881           | 8         |
| Central Office Switching                      | 27,485           | 25,980           | 26,999           | 27,656           | 27,692           | 9         |
| Operator Systems Expense                      | 340              | 531              | 531              | 255              | 399              | 10        |
| Central Office Transmission                   | 13,832           | 13,691           | 12,765           | 12,223           | 11,219           | 11        |
| Info. Origination/Termination                 | 21,675           | 19,304           | 18,516           | 21,665           | 18,490           | 12        |
| Cable & Wire Facilities                       | 56,626           | 61,258           | 63,786           | 62,993           | 58,832           | 13        |
| Total Plant Specific Operations               | 160,925          | 165,085          | 181,402          | 171,363          | 161,693          | 14        |
| Other Plant, Property & Equipment             | 309              | 255              | 171              | 239              | 436              | 15        |
| Network Operations                            | 54,126           | 55,072           | 53,979           | 58,303           | 55,100           | 16        |
| Access Expense                                | 23,382           | 26,639           | 23,367           | 22,883           | 14,618           | 17        |
| Depreciation and Amortization                 | 177,868          | 179,417          | 179,860          | 135,936          | 173,050          | 18        |
| Total Plant Non-Specific Operations           | 255,686          | 261,383          | 257,377          | 217,361          | 243,204          | 19        |
| Marketing Expense                             | 24,187           | 21,357           | 20,245           | 20,633           | 22,866           | 20        |
| Services Expense                              | 72,555           | 73,525           | 78,388           | 82,386           | 86,922           | 21        |
| Total Customer Operations                     | 96,742           | 94,881           | 98,633           | 103,019          | 109,788          | 22        |
| Executive & Planning                          | 19,124           | 20,969           | 53,225           | 19,907           | 21,964           | 23        |
| General & Administrative                      | 66,186           | 68,106           | 70,704           | 75,318           | 81,963           | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| Total Corporate Operations                    | 85,310           | 89,075           | 123,929          | 95,225           | 103,927          | 27        |
| Total Operations Expense                      | 598,662          | 610,425          | 661,341          | 586,968          | 618,612          | 28        |
| Other Operating Income & Expenses             | 622              | 12               | 88               | (42)             | (108)            | 29        |
| State & Local Income Taxes                    | 5,104            | 171              | 107              | 202              | 165              | 30        |
| Other Taxes                                   | 52,976           | 50,914           | 51,121           | 52,297           | 48,078           | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>220,159</b>   | <b>243,251</b>   | <b>194,245</b>   | <b>264,900</b>   | <b>243,996</b>   | <b>32</b> |
| Investment Tax Credits - Net                  | 7                | 13               | 62               | 125              | 160              | 33        |
| Federal Income Taxes                          | 78,443           | 90,503           | 60,675           | 42,244           | 7,257            | 34        |
| Provision - Def. Operating Income Taxes - Net | (2,947)          | (8,485)          | 10,096           | 29,718           | 41,554           | 35        |
| <b>Net Operating Income</b>                   | <b>\$144,670</b> | <b>\$161,246</b> | <b>\$123,535</b> | <b>\$193,062</b> | <b>\$195,344</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)**

|   | 2006      | 2006      | 2006      | 2006      | 2006       |
|---|-----------|-----------|-----------|-----------|------------|
| 37 <b>Net Operating Income</b>                      | \$144,670 | \$161,246 | \$123,535 | \$193,062 | \$195,344  |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |           |           |           |           |            |
| 38 Dividend Income                                  |           |           |           |           |            |
| 39 Interest Income                                  | 20,491    | 5,757     | 16,247    | 4,008     | 1,252      |
| 40 Income - Sinking and Other Funds                 | 236       | 63        |           | 1         |            |
| 41 Allowance for Funds Used During Construction     | 934       | 778       | 1,100     | 1,590     | 4,453      |
| 42 Gains/Losses - Disposal of Property              | 1,072     | 101       | 393       | 62        | (199)      |
| 43 Equity in Earnings of Affiliated Companies       | 388       | (739)     | (2,276)   | (4,099)   | 8,286      |
| 44 Other Non-Operating Income                       | 20,257    | 8,389     | 12,498    | 8,183     | 1,267      |
| 45 Special Charges                                  | 3,240     | 191       | 1,855     | 3,407     | 1,688      |
| 46 Total Non-Operating Income & Expenses            | 40,138    | 14,158    | 26,108    | 6,339     | 13,370     |
| <b>NON-OPERATING TAXES</b>                          |           |           |           |           |            |
| 47 Federal Income Taxes                             | 7,722     | 3,075     | 4,189     | (2,613)   | 1,858      |
| 48 Other  | 1,248     | 20        | 69        | (763)     | 66         |
| 49 Total Non-Operating Taxes                        | 8,970     | 3,095     | 4,258     | (3,377)   | 1,924      |
| 50 Income Available Before Interest Charges         | 175,838   | 172,309   | 145,385   | 202,778   | 206,791    |
| <b>INTEREST CHARGES</b>                             |           |           |           |           |            |
| 51 Interest on Funded Debt                          | 3,607     | 4,534     | 5,168     | 5,682     | 6,778      |
| 52 Other Interest Expense                           | 6,998     | 6,931     | 7,894     | 62,306    | 32,593     |
| 53 Total Interest Charges                           | 10,606    | 11,465    | 13,063    | 67,988    | 39,371     |
| 54 Income Before Extraordinary & Nonreg Items       | 165,233   | 160,844   | 132,322   | 134,789   | 167,420    |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |           |           |           |           |            |
| 55 Extraordinary Items                              | 622       |           |           |           | (1)        |
| 56 Nonregulated Revenues                            | (39)      | (49)      | (123)     | (27)      | 46         |
| 57 Total Extraordinary & Nonregulated Items         | 583       | (49)      | (123)     | (27)      | 45         |
| 58 <b>Net Income</b>                                | \$165,815 | \$160,795 | \$132,199 | \$134,762 | \$167,465  |
| <b>RETAINED EARNINGS STATEMENT</b>                  |           |           |           |           |            |
| Unappropriated Retained Earnings:                   |           |           |           |           |            |
| 59 Beginning Year Balance                           | \$830,879 | \$777,670 | \$748,181 | \$655,045 | \$577,982  |
| 60 Transferred from Income                          | \$165,155 | \$162,327 | \$134,962 | \$115,916 | \$159,461  |
| 61 Appropriations                                   |           |           |           |           |            |
| Dividends Declared:                                 |           |           |           |           |            |
| 62 Preferred Stock                                  | \$49      | \$51      | \$54      | \$54      | \$54       |
| 63 Common Stock                                     | \$26,514  | \$105,748 | \$100,117 | \$27,162  | \$32,987   |
| 64 Adjustments                                      | \$3,672   | (\$531)   | (\$453)   | (\$1,785) | (\$49,357) |
| 65 Ending Year Balance                              | 973,143   | 833,667   | 782,519   | 741,961   | 655,045    |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 9,861     | 9,903     | 7,914     | 18,796    | 24,363     |
| 67 <b>Total Retained Earnings</b>                   | \$983,004 | \$843,571 | \$790,432 | \$760,756 | \$679,408  |

Table 1 AT

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$483,628    | \$485,615    | \$447,839    | \$419,455    | \$564,399    |
| 2 Accounts Receivable (Net)               | 1,214,152    | 1,282,792    | 1,132,139    | 2,379,264    | 2,328,119    |
| 3 Current Deferred Income Taxes           |              |              |              | 330,696      | 333,685      |
| 4 Other Current Assets                    | 246,577      | 268,220      | 265,374      | 372,700      | 543,311      |
| 5 Total Current Assets                    | 1,944,357    | 2,036,627    | 1,845,352    | 3,502,115    | 3,769,513    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 455,644      | 270,903      | 209,924      | 614,395      | (131,728)    |
| 7 Unamortized Debt Issuance Costs         | 11,829       | 13,136       | 14,443       | 60,845       | 104,653      |
| 8 Deferred Charges                        | 166,557      | 242,869      | 668,115      | 668,056      | 703,961      |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      |              |              |              | 1,610,486    | 1,893,104    |
| 11 Other Non-Current Assets               | 601,605      | 808,905      | 811,945      | 783,814      | 528,302      |
| 12 Total Non-Current Assets               | 1,235,635    | 1,335,814    | 1,704,426    | 3,737,596    | 3,098,293    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 32,703,913   | 32,264,254   | 32,365,938   | 31,760,610   | 31,078,769   |
| 14 Less: Accumulated Depr and Amort.      | 21,273,212   | 20,616,772   | 19,823,080   | 18,270,778   | 17,281,563   |
| 15 Net Regulated Plant                    | 11,430,701   | 11,647,481   | 12,542,858   | 13,489,832   | 13,797,206   |
| 16 Total Assets & Other Debits            | \$14,610,693 | \$15,019,923 | \$16,092,636 | \$20,729,544 | \$20,665,012 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$849,901    | \$1,124,397  | \$1,409,329  | \$3,523,032  | \$1,802,644  |
| 18 Notes Payable                          | 3,625,792    | 2,718,119    | 2,653,800    | 2,047,302    | 2,118,992    |
| 19 Advanced Billings                      | 170,446      | 187,089      | 196,461      | 203,332      | 215,469      |
| 20 Customer Deposits                      | 7,628        | 8,056        | 8,924        | 9,556        | 6,799        |
| 21 Current Maturities - Long-Term Debt    | 1,536        | 1,725        | 201,103      | 150,928      | 350,600      |
| 22 Current Deferred Income Taxes          | 38,651       | 11,703       | (88,503)     | 389,363      | 519,793      |
| 23 Other Current Liabilities              | 635,009      | 670,170      | 800,533      | 981,109      | 1,141,906    |
| 24 Total Current Liabilities              | 5,328,963    | 4,721,259    | 5,181,646    | 7,304,622    | 6,156,202    |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 2,900,372    | 2,899,241    | 2,896,512    | 3,789,734    | 4,360,222    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        | 23,250       | 25,454       | 27,913       | 87,776       | 94,073       |
| 27 Non-Current Deferred Taxes             | #REF!        | 374,492      | 581,095      | 2,151,689    | 2,191,540    |
| 28 Other Deferred Credits                 | 276,926      | 275,923      | 867,252      | 695,881      | 768,864      |
| 29 Other Jurisdictional Differences - Net | 13,082       |              |              |              |              |
| 30 Other Liabilities                      | 3,667,511    | 4,423,745    | 4,502,054    | 3,971,990    | 3,760,732    |
| 31 Total Other Liab. and Def. Credits     | #REF!        | 5,099,613    | 5,978,314    | 6,907,336    | 6,815,210    |
| <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                  | 2,586,383    | 2,586,404    | 2,023,405    | 2,014,271    | 2,013,519    |
| 35 Retained Earnings                      | (604,338)    | (287,596)    | 11,757       | 712,580      | 1,318,858    |
| 36 Total Stockholder's Equity             | 1,983,046    | 2,299,809    | 2,036,163    | 2,727,852    | 3,333,379    |
| 37 Total Liab. and Stockholder's Equity   | \$14,610,693 | \$15,019,923 | \$16,092,636 | \$20,729,544 | \$20,665,012 |

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>2006</b>        | <b>2005</b>        | <b>2004</b>        | <b>2003</b>        | <b>2002</b>        |           |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                    |                    |                    |                    |                    |           |
| Local Network Services                        | \$2,871,445        | \$3,077,417        | \$3,372,888        | \$3,752,278        | \$4,179,880        | 1         |
| Network Access Services                       | 2,353,678          | 2,377,340          | 2,338,886          | 2,418,736          | 2,475,980          | 2         |
| Long Distance Network Services                | 150,050            | 171,760            | 178,556            | 206,063            | 181,080            | 3         |
| Miscellaneous Revenues                        | 1,090,278          | 1,281,839          | 1,477,066          | 1,332,997          | 1,403,603          | 4         |
| Less: Uncollectible Revenues                  | 41,978             | 80,877             | 49,184             | 200,420            | 339,291            | 5         |
| <b>Total Operating Revenues</b>               | <b>6,423,471</b>   | <b>6,827,479</b>   | <b>7,318,212</b>   | <b>7,509,655</b>   | <b>7,901,251</b>   | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                    |                    |                    |                    |                    |           |
| Network Support Expenses                      | 19,161             | 16,510             | 14,085             | 10,707             | 11,019             | 7         |
| General Support Expenses                      | 471,827            | 469,728            | 486,331            | 443,522            | 416,542            | 8         |
| Central Office Switching                      | 249,365            | 253,068            | 249,911            | 232,985            | 239,012            | 9         |
| Operator Systems Expense                      | 704                | 1,110              | 884                | 713                | 1,066              | 10        |
| Central Office Transmission                   | 131,217            | 129,503            | 124,242            | 119,864            | 116,282            | 11        |
| Info. Origination/Termination                 | 303,431            | 279,933            | 296,647            | 301,341            | 255,730            | 12        |
| Cable & Wire Facilities                       | 1,103,337          | 1,095,385          | 1,078,231          | 995,903            | 857,005            | 13        |
| <b>Total Plant Specific Operations</b>        | <b>2,279,044</b>   | <b>2,245,238</b>   | <b>2,250,331</b>   | <b>2,105,034</b>   | <b>1,896,657</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | 9,717              | 13,609             | 8,241              | 7,763              | 2,230              | 15        |
| Network Operations                            | 850,229            | 827,605            | 778,735            | 855,811            | 692,575            | 16        |
| Access Expense                                | 163,980            | 180,477            | 167,730            | 175,299            | 229,310            | 17        |
| Depreciation and Amortization                 | 1,647,147          | 1,776,499          | 2,242,903          | 2,241,442          | 2,275,410          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>2,671,074</b>   | <b>2,798,189</b>   | <b>3,197,609</b>   | <b>3,280,315</b>   | <b>3,199,525</b>   | <b>19</b> |
| Marketing Expense                             | 316,365            | 301,263            | 300,301            | 303,902            | 307,740            | 20        |
| Services Expense                              | 672,652            | 707,007            | 698,543            | 727,021            | 646,638            | 21        |
| <b>Total Customer Operations</b>              | <b>989,017</b>     | <b>1,008,269</b>   | <b>998,844</b>     | <b>1,030,923</b>   | <b>954,378</b>     | <b>22</b> |
| Executive & Planning                          | 30,182             | 35,189             | 65,387             | 56,190             | 56,734             | 23        |
| General & Administrative                      | 1,036,997          | 985,292            | 1,083,922          | 1,906,874          | 1,542,435          | 24        |
| Provision - Uncollectible Notes Rec.          |                    |                    | 0                  | 0                  | 0                  | 25        |
| Other   |                    |                    |                    |                    |                    | 26        |
| <b>Total Corporate Operations</b>             | <b>1,067,179</b>   | <b>1,020,481</b>   | <b>1,149,309</b>   | <b>1,963,064</b>   | <b>1,599,169</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>7,006,313</b>   | <b>7,072,178</b>   | <b>7,596,093</b>   | <b>8,379,336</b>   | <b>7,649,729</b>   | <b>28</b> |
| Other Operating Income & Expenses             | 137,938            | 310,815            | (510)              | (9,898)            | (4,214)            | 29        |
| State & Local Income Taxes                    | 4,815              | 219                | 16                 | (143)              | (86)               | 30        |
| Other Taxes                                   | 559,430            | 541,103            | 605,133            | 705,616            | 606,086            | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(1,009,149)</b> | <b>(475,207)</b>   | <b>(883,540)</b>   | <b>(1,585,052)</b> | <b>(358,691)</b>   | <b>32</b> |
| Investment Tax Credits - Net                  | 2,204              | 2,459              | 9,956              | 3,026              | 6,096              | 33        |
| Federal Income Taxes                          | (310,768)          | (39,419)           | (503,056)          | (540,918)          | (258,716)          | 34        |
| Provision - Def. Operating Income Taxes - Net | (85,565)           | (181,074)          | 143,928            | (85,415)           | 81,408             | 35        |
| <b>Net Operating Income</b>                   | <b>(\$610,611)</b> | <b>(\$252,255)</b> | <b>(\$514,457)</b> | <b>(\$955,693)</b> | <b>(\$175,287)</b> | <b>36</b> |

Table 3 AT

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

|   | 2006        | 2005        | 2004        | 2003          | 2002        |
|---|-------------|-------------|-------------|---------------|-------------|
| 37 <b>Net Operating Income</b>                      | (\$610,611) | (\$252,255) | (\$514,457) | (\$955,693)   | (\$175,287) |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |               |             |
| 38 Dividend Income                                  |             |             |             |               |             |
| 39 Interest Income                                  | 29,802      | 14,586      | 29,353      | 10,067        | 16,430      |
| 40 Income - Sinking and Other Funds                 |             |             |             |               |             |
| 41 Allowance for Funds Used During Construction     | 21,277      | 18,705      | 9,453       | 13,495        | 33,026      |
| 42 Gains/Losses - Disposal of Property              | 97          | 3           | 3           | (14)          | (2)         |
| 43 Equity in Earnings of Affiliated Companies       | 30,955      | 49,605      | 120,586     | 45,717        | 75,465      |
| 44 Other Non-Operating Income                       | (1,899)     | (3,939)     | 22,958      | 68,354        | (6,837)     |
| 45 Special Charges                                  | 13,839      | 16,984      | 17,615      | 11,350        | 13,747      |
| 46 Total Non-Operating Income & Expenses            | 66,394      | 61,977      | 164,739     | 126,267       | 104,336     |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |               |             |
| 47 Federal Income Taxes                             | 5,155       | (5,349)     | 18,785      | 29,354        | 7,902       |
| 48 Other  | 4,776       | 24,542      | 2,635       | 5,861         | 5,788       |
| 49 Total Non-Operating Taxes                        | 9,931       | 19,193      | 21,421      | 35,215        | 13,690      |
| 50 Income Available Before Interest Charges         | (554,148)   | (209,471)   | (371,138)   | (864,640)     | (84,641)    |
| <b>INTEREST CHARGES</b>                             |             |             |             |               |             |
| 51 Interest on Funded Debt                          | 202,106     | 204,289     | 228,936     | 295,355       | 286,058     |
| 52 Other Interest Expense                           | 192,450     | 150,271     | 78,972      | 126,542       | 111,196     |
| 53 Total Interest Charges                           | 394,556     | 354,560     | 307,908     | 421,897       | 397,254     |
| 54 Income Before Extraordinary & Nonreg Items       | (948,704)   | (564,031)   | (679,046)   | (1,286,537)   | (481,895)   |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |               |             |
| 55 Extraordinary Items                              |             |             |             | (453,043)     | 87          |
| 56 Nonregulated Revenues                            | 234,773     | 239,819     | 216,056     | 225,261       | 284,395     |
| 57 Total Extraordinary & Nonregulated Items         | 234,773     | 239,819     | 216,056     | (227,782)     | 284,482     |
| 58 <b>Net Income</b>                                | (\$713,931) | (\$324,212) | (\$462,990) | (\$1,514,319) | (\$197,413) |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |               |             |
| Unappropriated Retained Earnings:                   |             |             |             |               |             |
| 59 Beginning Year Balance                           | (\$366,112) | (\$17,156)  | \$730,043   | \$1,266,525   | \$2,237,415 |
| 60 Transferred from Income                          | (744,886)   | (373,818)   | (509,367)   | (588,733)     | (212,718)   |
| 61 Appropriations                                   |             |             |             |               |             |
| Dividends Declared:                                 |             |             |             |               |             |
| 62 Preferred Stock                                  |             |             |             |               |             |
| 63 Common Stock                                     |             | (24,859)    | 64,660      | 180,000       | 190,000     |
| 64 Adjustments                                      | (397,187)   | (87,359)    | (173,172)   | 232,251       | (568,173)   |
| 65 Ending Year Balance                              | (1,508,185) | (453,473)   | (17,156)    | 730,043       | 1,266,525   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 109,474     | 78,518      | 28,913      | (17,463)      | 2,037       |
| 67 <b>Total Retained Earnings</b>                   | (\$604,338) | (\$287,596) | \$11,757    | \$712,580     | \$1,268,562 |

Table 1 BT

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

|   | 2006      | 2005      | 2004      | 2003      | 2002        |
|---|-----------|-----------|-----------|-----------|-------------|
| <b>CURRENT ASSETS</b>                     |           |           |           |           |             |
| 1 Cash and Temporary Cash Investments     | \$49,574  | \$45,443  | \$68,943  | \$54,558  | \$46,950    |
| 2 Accounts Receivable (Net)               | 64,745    | 83,281    | 83,943    | 176,597   | 562,884     |
| 3 Current Deferred Income Taxes           | 219       | 498       | 336       | 311       | 1,336       |
| 4 Other Current Assets                    | 13,958    | 14,490    | 14,185    | 15,768    | 16,661      |
| 5 Total Current Assets                    | 128,497   | 143,712   | 167,406   | 247,234   | 627,832     |
| <b>NON-CURRENT ASSETS</b>                 |           |           |           |           |             |
| 6 Investments                             | 179,836   | 125,151   | 99,339    | 89,499    | (66,162)    |
| 7 Unamortized Debt Issuance Costs         | 308       | 386       | 437       | 491       | 423         |
| 8 Deferred Charges                        | 5,405     | 5,537     | 6,291     | 6,095     | 5,181       |
| 9 Other Jurisdictional Assets - Net       |           |           |           |           |             |
| 10 Non-Current Deferred Income Taxes      | 14,376    | 8,968     | 8,758     | 8,043     | 58,050      |
| 11 Other Non-Current Assets               | 23,077    | 24,517    | 25,183    | 26,235    | 28,470      |
| 12 Total Non-Current Assets               | 223,002   | 164,559   | 140,008   | 130,363   | 25,961      |
| <b>REGULATED PLANT</b>                    |           |           |           |           |             |
| 13 Total Telecommunications Plant         | 1,050,784 | 1,022,068 | 999,957   | 976,172   | 945,282     |
| 14 Less: Accumulated Depr and Amort.      | 654,666   | 610,054   | 567,860   | 525,321   | 480,030     |
| 15 Net Regulated Plant                    | 396,118   | 412,014   | 432,097   | 450,851   | 465,252     |
| 16 Total Assets & Other Debits            | \$747,617 | \$720,285 | \$739,511 | \$828,448 | \$1,119,045 |
| <b>CURRENT LIABILITIES</b>                |           |           |           |           |             |
| 17 Accounts Payable                       | \$33,457  | \$40,791  | \$51,506  | \$157,964 | \$24,181    |
| 18 Notes Payable                          | 2,883     | 4,483     | 6,518     | 6,997     | 12,460      |
| 19 Advanced Billings                      | 4,047     | 3,678     | 3,671     | 3,612     | 2,938       |
| 20 Customer Deposits                      | 246       | 283       | 305       | 301       | 286         |
| 21 Current Maturities - Long-Term Debt    | 3,826     | 5,990     | 6,198     | 4,690     | 9,352       |
| 22 Current Deferred Income Taxes          | (18)      | (11)      | (14)      | 326       | 202         |
| 23 Other Current Liabilities              | 17,188    | 9,376     | 13,343    | 13,845    | 8,106       |
| 24 Total Current Liabilities              | 61,627    | 64,591    | 81,527    | 187,734   | 57,526      |
| <b>LONG-TERM DEBT</b>                     |           |           |           |           |             |
| 25 Long-Term Debt                         | 43,479    | 55,009    | 74,990    | 78,498    | 436,526     |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |           |           |           |           |             |
| 26 Unamortized ITC                        | 20        | 28        | 44        | 109       | 238         |
| 27 Non-Current Deferred Taxes             | 54,853    | 61,516    | 58,305    | 50,650    | 120,176     |
| 28 Other Deferred Credits                 | (32,850)  | (45,830)  | (41,382)  | (50,392)  | (42,719)    |
| 29 Other Jurisdictional Differences - Net | (13,082)  | (13,347)  | (13,392)  | (12,807)  | (17,764)    |
| 30 Other Liabilities                      | 38,904    | 35,821    | 38,766    | 41,954    | 34,794      |
| 31 Total Other Liab. and Def. Credits     | 124,728   | 115,456   | 115,796   | 109,266   | 171,937     |
| <b>STOCKHOLDER'S EQUITY</b>               |           |           |           |           |             |
| 32 Common Stock                           | 28,565    | 28,565    | 28,565    | 28,565    | 31,987      |
| 33 Preferred Stock                        | 927       | 927       | 1,013     | 1,013     | 1,015       |
| 34 Other Paid in Capital                  | 97,484    | 95,921    | 92,941    | 92,335    | 85,172      |
| 35 Retained Earnings                      | 390,807   | 359,816   | 344,678   | 331,036   | 333,627     |
| 36 Total Stockholder's Equity             | 517,783   | 485,230   | 467,198   | 452,950   | 451,801     |
| 37 Total Liab. and Stockholder's Equity   | \$747,617 | \$720,285 | \$739,511 | \$828,448 | \$1,117,790 |

Table 2 BT

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

| INCOME STATEMENT                              | 2006            | 2005            | 2004            | 2003            | 2002            |           |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                 |                 |                 |                 |                 |           |
| Local Network Services                        | \$93,390        | \$98,021        | \$101,005       | \$101,064       | \$99,688        | 1         |
| Network Access Services                       | 143,279         | 159,350         | 155,443         | 159,942         | 156,960         | 2         |
| Long Distance Network Services                | 5,109           | 5,954           | 6,618           | 7,279           | 7,493           | 3         |
| Miscellaneous Revenues                        | 57,272          | 50,723          | 52,755          | 51,933          | 57,115          | 4         |
| Less: Uncollectible Revenues                  | 1,223           | 1,686           | 1,842           | 2,521           | 2,683           | 5         |
| Total Operating Revenues                      | 297,827         | 312,363         | 313,979         | 317,696         | 318,573         | 6         |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                 |                 |                 |                 |                 |           |
| Network Support Expenses                      | 767             | 723             | 819             | 728             | 829             | 7         |
| General Support Expenses                      | 14,271          | 11,812          | 15,619          | 15,345          | 13,905          | 8         |
| Central Office Switching                      | 12,854          | 11,268          | 11,756          | 10,882          | 11,168          | 9         |
| Operator Systems Expense                      | 34              | 10              | 9               | 0               | 0               | 10        |
| Central Office Transmission                   | 6,306           | 6,384           | 5,856           | 6,895           | 6,210           | 11        |
| Info. Origination/Termination                 | 6,393           | 5,663           | 6,345           | 7,185           | 6,157           | 12        |
| Cable & Wire Facilities                       | 16,357          | 17,886          | 17,785          | 18,152          | 18,313          | 13        |
| Total Plant Specific Operations               | 56,982          | 53,744          | 58,188          | 59,188          | 56,584          | 14        |
| Other Plant, Property & Equipment             | 313             | 255             | 167             | 235             | 384             | 15        |
| Network Operations                            | 17,218          | 16,752          | 17,411          | 19,226          | 19,989          | 16        |
| Access Expense                                | 8,530           | 8,951           | 7,926           | 6,456           | 5,097           | 17        |
| Depreciation and Amortization                 | 56,794          | 54,606          | 56,056          | 47,794          | 53,320          | 18        |
| Total Plant Non-Specific Operations           | 82,855          | 80,564          | 81,560          | 73,712          | 78,790          | 19        |
| Marketing Expense                             | 7,988           | 7,222           | 7,223           | 7,286           | 8,982           | 20        |
| Services Expense                              | 27,257          | 24,318          | 27,157          | 27,071          | 30,231          | 21        |
| Total Customer Operations                     | 35,246          | 31,540          | 34,380          | 34,358          | 39,213          | 22        |
| Executive & Planning                          | 13,181          | 14,515          | 19,563          | 14,251          | 15,842          | 23        |
| General & Administrative                      | 36,462          | 35,733          | 32,323          | 38,955          | 42,511          | 24        |
| Provision - Uncollectible Notes Rec.          |                 |                 |                 |                 |                 | 25        |
| Other   |                 |                 |                 |                 |                 | 26        |
| Total Corporate Operations                    | 49,643          | 50,248          | 51,886          | 53,206          | 58,352          | 27        |
| Total Operations Expense                      | 224,726         | 216,096         | 226,014         | 220,464         | 232,939         | 28        |
| Other Operating Income & Expenses             | 622             | 12              | 88              | (42)            | (108)           | 29        |
| State & Local Income Taxes                    | 290             | 171             | 110             | 202             | 165             | 30        |
| Other Taxes                                   | 17,915          | 16,156          | 17,215          | 16,615          | 17,176          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>55,518</b>   | <b>79,952</b>   | <b>70,728</b>   | <b>80,373</b>   | <b>68,184</b>   | <b>32</b> |
| Investment Tax Credits - Net                  | 7               | 13              | 62              | 125             | 160             | 33        |
| Federal Income Taxes                          | 24,480          | 30,011          | 18,701          | 20,348          | 10,532          | 34        |
| Provision - Def. Operating Income Taxes - Net | (4,974)         | (3,448)         | 4,434           | 3,116           | 3,275           | 35        |
| <b>Net Operating Income</b>                   | <b>\$36,020</b> | <b>\$53,402</b> | <b>\$47,655</b> | <b>\$57,033</b> | <b>\$54,538</b> | <b>36</b> |

Table 3 BT

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

|   | 2006      | 2005      | 2004      | 2003      | 2002      |
|---|-----------|-----------|-----------|-----------|-----------|
| 37 <b>Net Operating Income</b>                      | \$36,020  | \$53,402  | \$47,655  | \$57,033  | \$54,538  |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |           |           |           |           |           |
| 38 Dividend Income                                  | \$83      | \$795     | \$487     | \$303     | \$282     |
| 39 Interest Income                                  | \$14,402  | \$5,536   | \$4,002   | \$1,219   | \$1,219   |
| 40 Income - Sinking and Other Funds                 | \$236     | \$63      |           | \$1       |           |
| 41 Allowance for Funds Used During Construction     | \$227     | \$220     | \$443     | \$370     | \$787     |
| 42 Gains/Losses - Disposal of Property              | \$975     | \$101     | \$381     | \$62      | (\$199)   |
| 43 Equity in Earnings of Affiliated Companies       | \$388     | (\$739)   | (\$2,276) | (\$4,099) | \$8,286   |
| 44 Other Non-Operating Income                       | \$24,750  | \$13,010  | \$14,224  | \$10,489  | \$4,208   |
| 45 Special Charges                                  | \$1,311   | (\$38)    | \$812     | \$1,905   | \$626     |
| 46 Total Non-Operating Income & Expenses            | \$39,762  | \$19,023  | \$16,450  | \$6,439   | \$13,957  |
| <b>NON-OPERATING TAXES</b>                          |           |           |           |           |           |
| 47 Federal Income Taxes                             | \$9,535   | \$5,475   | \$5,805   | (\$350)   | \$1,948   |
| 48 Other  | \$1,248   | \$20      | \$69      | (\$763)   | \$66      |
| 49 Total Non-Operating Taxes                        | \$10,782  | \$5,495   | \$5,874   | (\$1,116) | \$2,014   |
| 50 Income Available Before Interest Charges         | \$64,999  | \$66,930  | \$58,231  | \$64,589  | \$66,481  |
| <b>INTEREST CHARGES</b>                             |           |           |           |           |           |
| 51 Interest on Funded Debt                          | \$3,607   | \$4,534   | \$5,168   | \$5,682   | \$6,061   |
| 52 Other Interest Expense                           | \$938     | \$1,480   | \$996     | \$7,702   | \$6,951   |
| 53 Total Interest Charges                           | \$4,545   | \$6,014   | \$6,165   | \$36,634  | \$13,011  |
| 54 Income Before Extraordinary & Nonreg Items       | \$60,454  | \$60,916  | \$52,066  | \$27,954  | \$53,470  |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |           |           |           |           |           |
| 55 Extraordinary Items                              | \$622     |           |           |           | (\$1)     |
| 56 Nonregulated Revenues                            | (\$39)    | (\$49)    | (\$123)   | (\$27)    | \$46      |
| 57 Total Extraordinary & Nonregulated Items         | \$583     | (\$49)    | (\$123)   | (\$27)    | \$45      |
| 58 <b>Net Income</b>                                | \$61,037  | \$60,867  | \$51,944  | \$27,927  | \$53,515  |
| <b>RETAINED EARNINGS STATEMENT</b>                  |           |           |           |           |           |
| Unappropriated Retained Earnings:                   |           |           |           |           |           |
| 59 Beginning Year Balance                           | \$346,902 | \$331,916 | \$318,510 | \$309,264 | \$297,315 |
| 60 Transferred from Income                          | 60,282    | 61,606    | 54,219    | 32,027    | 45,229    |
| 61 Appropriations                                   |           |           |           |           |           |
| Dividends Declared:                                 |           |           |           |           |           |
| 62 Preferred Stock                                  | 49        | 51        | 54        | 54        | 54        |
| 63 Common Stock                                     | 26,514    | 43,248    | 35,457    | 27,162    | 32,987    |
| 64 Adjustments                                      | 3,672     | (531)     | (453)     | (1,785)   | (239)     |
| 65 Ending Year Balance                              | 380,947   | 349,913   | 336,765   | 312,289   | 309,264   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 9,861     | 9,903     | 7,914     | 18,796    | 24,363    |
| 67 <b>Total Retained Earnings</b>                   | \$390,807 | \$359,816 | \$344,678 | \$331,085 | \$333,627 |

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

|  | 2006                | 2005                | 2004                | 2003                | 2002                 |
|--|---------------------|---------------------|---------------------|---------------------|----------------------|
| <b>CURRENT ASSETS</b>                          |                     |                     |                     |                     |                      |
| 1 Cash and Temporary Cash Investments          | \$4,686,925         | \$5,671,736         | \$6,165,133         | \$1,231,496         | \$338,936            |
| 2 Accounts Receivable (Net)                    | 5,687,632           | 5,685,823           | 5,700,495           | 7,563,360           | 7,867,237            |
| 3 Current Deferred Income Taxes                |                     |                     |                     |                     |                      |
| 4 Other Current Assets                         | 526,257             | 240,015             | 335,735             | 589,136             | 798,142              |
| 5 Total Current Assets                         | 10,900,814          | 11,597,574          | 12,201,363          | 9,383,992           | 9,004,315            |
| <b>NON-CURRENT ASSETS</b>                      |                     |                     |                     |                     |                      |
| 6 Investments                                  |                     |                     | 36,000              | 36,000              | 36,000               |
| 7 Unamortized Debt Issuance Costs              |                     | 60,350              | 71,776              | 83,201              | 95,733               |
| 8 Deferred Charges                             |                     |                     |                     |                     | (23,548)             |
| 9 Other Jurisdictional Assets - Net            |                     |                     |                     |                     |                      |
| 10 Non-Current Deferred Income Taxes           |                     |                     |                     |                     |                      |
| 11 Other Non-Current Assets                    | 808,573             | 3,167,390           | 4,010,107           | 3,321,045           | 4,262,757            |
| 12 Total Non-Current Assets                    | 808,573             | 3,227,740           | 4,117,883           | 3,440,246           | 4,370,942            |
| <b>REGULATED PLANT</b>                         |                     |                     |                     |                     |                      |
| 13 Total Telecommunications Plant              | 207,245,247         | 199,186,576         | 195,208,908         | 192,803,748         | 186,169,525          |
| 14 Less: Accumulated Depr and Amort.           | 129,620,859         | 120,746,036         | 114,021,473         | 107,836,078         | 97,343,835           |
| 15 Net Regulated Plant                         | 77,624,388          | 78,440,540          | 81,187,435          | 84,967,670          | 88,825,690           |
| 16 <b>Total Assets &amp; Other Debits</b>      | <b>\$89,333,775</b> | <b>\$93,265,854</b> | <b>\$97,506,681</b> | <b>\$97,791,908</b> | <b>\$102,200,947</b> |
| <b>CURRENT LIABILITIES</b>                     |                     |                     |                     |                     |                      |
| 17 Accounts Payable                            | \$4,107,084         | \$1,437,016         | \$2,587,020         | \$2,493,049         | \$3,273,743          |
| 18 Notes Payable                               |                     |                     |                     |                     |                      |
| 19 Advanced Billings                           | 1,154,898           | 912,108             | 985,418             | 1,002,353           | 489,114              |
| 20 Customer Deposits                           | 21,082              | 24,140              | 14,090              | 14,450              | 10,543               |
| 21 Current Maturities - Long-Term Debt         |                     | 2,272,400           | 2,272,400           | 2,272,400           | 2,272,400            |
| 22 Current Deferred Income Taxes               |                     |                     |                     |                     |                      |
| 23 Other Current Liabilities                   | 4,036,705           | 1,828,494           | 1,230,700           | 1,784,952           | 2,314,275            |
| 24 Total Current Liabilities                   | 9,319,769           | 6,474,158           | 7,089,628           | 7,567,204           | 8,360,075            |
| <b>LONG-TERM DEBT</b>                          |                     |                     |                     |                     |                      |
| 25 Long-Term Debt                              |                     | 8,456,800           | 10,729,200          | 13,001,600          | 16,190,664           |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b>      |                     |                     |                     |                     |                      |
| 26 Unamortized ITC                             |                     |                     |                     |                     |                      |
| 27 Non-Current Deferred Taxes                  | 14,643,756          | 16,868,887          | 18,613,527          | 16,960,510          | 17,139,068           |
| 28 Other Deferred Credits                      | 1,803,130           | 1,244,072           | 1,456,738           | 2,127,005           | 2,415,734            |
| 29 Other Jurisdictional Differences - Net      |                     |                     |                     |                     |                      |
| 30 Other Liabilities                           | 346,381             | 471,871             | 681,856             | 115,437             | 1,258,726            |
| 31 Total Other Liab. and Def. Credits          | 16,793,267          | 18,584,830          | 20,752,121          | 19,202,952          | 20,813,528           |
| <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                       | 7,310,813           | 4,527,661           | 4,527,661           | 4,527,661           | 4,527,661            |
| 35 Retained Earnings                           | 39,204,533          | 38,517,012          | 37,702,677          | 36,787,098          | 35,603,626           |
| 36 Total Stockholder's Equity                  | 63,220,739          | 59,750,066          | 58,935,731          | 58,020,152          | 56,836,680           |
| 37 <b>Total Liab. and Stockholder's Equity</b> | <b>\$89,333,775</b> | <b>\$93,265,854</b> | <b>\$97,506,680</b> | <b>\$97,791,908</b> | <b>\$102,200,947</b> |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>        | <b>2005</b>         | <b>2004</b>         | <b>2003</b>         | <b>2002</b>         |           |
|---|--------------------|---------------------|---------------------|---------------------|---------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                    |                     |                     |                     |                     |           |
| Local Network Services                        | \$21,929,075       | \$25,168,635        | \$26,745,285        | \$27,489,753        | \$27,595,093        | 1         |
| Network Access Services                       | 22,673,630         | 22,079,824          | 22,142,551          | 22,080,878          | 19,725,028          | 2         |
| Long Distance Network Services                | 1,440,859          | 1,649,941           | 1,855,933           | 2,126,556           | 2,391,134           | 3         |
| Miscellaneous Revenues                        | 6,018,559          | 6,928,431           | 6,954,226           | 7,100,083           | 7,923,143           | 4         |
| Less: Uncollectible Revenues                  | 360,629            | 647,983             | 689,099             | 620,168             | 796,917             | 5         |
| <b>Total Operating Revenues</b>               | <b>51,701,494</b>  | <b>55,178,848</b>   | <b>57,008,896</b>   | <b>58,177,102</b>   | <b>56,837,481</b>   | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                    |                     |                     |                     |                     |           |
| Network Support Expenses                      | 333,635            | 321,959             | 409,113             | 357,906             | 385,110             | 7         |
| General Support Expenses                      | 2,159,767          | 2,265,146           | 2,157,114           | 2,327,021           | 2,170,916           | 8         |
| Central Office Switching                      | 1,972,798          | 2,208,233           | 1,980,410           | 2,114,433           | 1,873,853           | 9         |
| Operator Systems Expense                      |                    |                     |                     |                     |                     | 10        |
| Central Office Transmission                   | 1,026,668          | 1,060,259           | 829,904             | 947,655             | 974,196             | 11        |
| Info. Origination/Termination                 | 226,510            | 221,530             | 228,324             | 236,230             | 244,708             | 12        |
| Cable & Wire Facilities                       | 3,440,480          | 3,578,149           | 3,477,026           | 4,120,442           | 3,602,462           | 13        |
| <b>Total Plant Specific Operations</b>        | <b>9,159,858</b>   | <b>9,655,276</b>    | <b>9,081,891</b>    | <b>10,103,687</b>   | <b>9,251,245</b>    | <b>14</b> |
| Other Plant, Property & Equipment             | 7,225              | 4,367               | 25,826              | 59,347              | 48,806              | 15        |
| Network Operations                            | 3,059,637          | 3,143,152           | 3,046,745           | 2,940,691           | 3,155,846           | 16        |
| Access Expense                                | 1,657,259          | 1,715,088           | 1,429,716           | 1,301,041           | 947,227             | 17        |
| Depreciation and Amortization                 | 9,887,642          | 9,681,082           | 9,553,704           | 9,395,139           | 9,774,592           | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>14,611,763</b>  | <b>14,543,689</b>   | <b>14,055,991</b>   | <b>13,696,218</b>   | <b>13,926,471</b>   | <b>19</b> |
| Marketing Expense                             | 2,301,812          | 1,781,140           | 1,756,540           | 1,877,241           | 1,896,661           | 20        |
| Services Expense                              | 2,547,742          | 3,262,046           | 3,379,559           | 3,635,801           | 3,630,643           | 21        |
| <b>Total Customer Operations</b>              | <b>4,849,554</b>   | <b>5,043,186</b>    | <b>5,136,099</b>    | <b>5,513,042</b>    | <b>5,527,304</b>    | <b>22</b> |
| Executive & Planning                          | 433,640            | 367,528             | 408,842             | 433,313             | 468,118             | 23        |
| General & Administrative                      | 6,020,856          | 3,712,973           | 3,848,097           | 4,246,896           | 5,686,603           | 24        |
| Provision - Uncollectible Notes Rec.          |                    |                     |                     |                     |                     | 25        |
| Other   |                    |                     |                     |                     |                     | 26        |
| <b>Total Corporate Operations</b>             | <b>6,454,496</b>   | <b>4,080,501</b>    | <b>4,256,939</b>    | <b>4,680,209</b>    | <b>6,154,721</b>    | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>35,075,671</b>  | <b>33,322,652</b>   | <b>32,530,920</b>   | <b>33,993,156</b>   | <b>34,859,741</b>   | <b>28</b> |
| Other Operating Income & Expenses             |                    |                     |                     |                     |                     | 29        |
| State & Local Income Taxes                    |                    |                     |                     |                     |                     | 30        |
| Other Taxes                                   | 4,538,931          | 3,158,682           | 4,574,631           | 4,673,686           | 4,678,423           | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>12,086,892</b>  | <b>18,697,514</b>   | <b>19,903,345</b>   | <b>19,510,260</b>   | <b>17,299,317</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                    |                     |                     |                     |                     | 33        |
| Federal Income Taxes                          | 5,523,446          | 7,644,646           | 4,589,005           | 6,222,831           | 4,803,762           | 34        |
| Provision - Def. Operating Income Taxes - Net | (1,279,903)        | (1,124,000)         | 2,273,659           | 442,082             | 991,010             | 35        |
| <b>Net Operating Income</b>                   | <b>\$7,843,349</b> | <b>\$12,176,868</b> | <b>\$13,040,681</b> | <b>\$12,845,347</b> | <b>\$11,504,545</b> | <b>36</b> |

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

|   | <b>2006</b>         | <b>2005</b>         | <b>2004</b>         | <b>2003</b>         | <b>2002</b>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| 37 <b>Net Operating Income</b>                      | \$7,843,349         | \$12,176,868        | \$13,040,681        | \$12,845,347        | \$11,504,545        |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |                     |                     |                     |                     |                     |
| 38 Dividend Income                                  |                     | 2,066               | 2,160               | 1,512               | 1,512               |
| 39 Interest Income                                  | 365,835             | 304,874             | 104,830             | 56,149              | 22,193              |
| 40 Income - Sinking and Other Funds                 |                     |                     |                     |                     |                     |
| 41 Allowance for Funds Used During Construction     | 72,179              | 74,907              | 87,835              | 90,558              | 138,750             |
| 42 Gains/Losses - Disposal of Property              |                     |                     |                     | 5,218               |                     |
| 43 Equity in Earnings of Affiliated Companies       |                     |                     |                     |                     |                     |
| 44 Other Non-Operating Income                       | (2,264,554)         | (7,033,516)         | (7,250,603)         | (7,413,652)         | (7,504,317)         |
| 45 Special Charges                                  |                     |                     |                     |                     | 307                 |
| 46 Total Non-Operating Income & Expenses            | (1,826,540)         | (6,651,669)         | (7,055,778)         | (7,260,215)         | (7,342,169)         |
| <b>NON-OPERATING TAXES</b>                          |                     |                     |                     |                     |                     |
| 47 Federal Income Taxes                             | (1,074,815)         | (2,353,942)         | (2,500,262)         | (2,572,774)         | (2,610,728)         |
| 48 Other  |                     |                     |                     |                     |                     |
| 49 Total Non-Operating Taxes                        | (1,074,815)         | (2,353,942)         | (2,500,262)         | (2,572,774)         | (2,610,728)         |
| 50 Income Available Before Interest Charges         | 7,091,624           | 7,879,141           | 8,485,165           | 8,157,906           | 6,773,104           |
| <b>INTEREST CHARGES</b>                             |                     |                     |                     |                     |                     |
| 51 Interest on Funded Debt                          | 622,045             | 1,156,058           | 1,368,768           | 1,582,889           | 1,794,189           |
| 52 Other Interest Expense                           | 130,058             | 11,749              | 11,816              | 28,542              | 129,145             |
| 53 Total Interest Charges                           | 752,103             | 1,167,807           | 1,380,584           | 1,611,431           | 1,923,334           |
| 54 Income Before Extraordinary & Nonreg Items       | 6,339,521           | 6,711,334           | 7,104,581           | 6,546,475           | 4,849,770           |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |                     |                     |                     |                     |                     |
| 55 Extraordinary Items                              |                     |                     |                     |                     |                     |
| 56 Nonregulated Revenues                            |                     |                     |                     |                     |                     |
| 57 Total Extraordinary & Nonregulated Items         |                     |                     |                     |                     |                     |
| 58 <b>Net Income</b>                                | <b>\$6,339,521</b>  | <b>\$6,711,334</b>  | <b>\$7,104,581</b>  | <b>\$6,546,475</b>  | <b>\$4,849,770</b>  |
| <b>RETAINED EARNINGS STATEMENT</b>                  |                     |                     |                     |                     |                     |
| Unappropriated Retained Earnings:                   |                     |                     |                     |                     |                     |
| 59 Beginning Year Balance                           | \$38,517,012        | \$37,702,677        | \$36,787,098        | \$35,603,626        | \$34,466,856        |
| 60 Transferred from Income                          | 6,339,521           | 6,711,334           | 7,104,581           | 6,546,475           | 4,849,770           |
| 61 Appropriations                                   |                     |                     |                     |                     |                     |
| Dividends Declared:                                 |                     |                     |                     |                     |                     |
| 62 Preferred Stock                                  |                     |                     |                     |                     |                     |
| 63 Common Stock                                     | 5,652,000           | 5,896,999           | 6,189,002           | 5,363,003           | 3,713,000           |
| 64 Adjustments                                      |                     |                     |                     |                     |                     |
| 65 Ending Year Balance                              | 39,204,533          | 38,517,012          | 37,702,677          | 36,787,098          | 35,603,626          |
| 66 Appropriated/Undistr Affiliate Retained Earnings |                     |                     |                     |                     |                     |
| 67 <b>Total Retained Earnings</b>                   | <b>\$39,204,533</b> | <b>\$38,517,012</b> | <b>\$37,702,677</b> | <b>\$36,787,098</b> | <b>\$35,603,626</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$1,361,588 | \$1,641,919 | \$1,454,246 | \$1,171,996 | \$1,481,386 |
| 2 Accounts Receivable (Net)               | 694,029     | 696,355     | 864,553     | 858,297     | 1,045,885   |
| 3 Current Deferred Income Taxes           | 17,602      | 15,843      | 13,845      | 11,511      | 9,303       |
| 4 Other Current Assets                    | 132,105     | 161,777     | 134,911     | 146,520     | 134,416     |
| 5 Total Current Assets                    | 2,205,324   | 2,515,894   | 2,467,555   | 2,188,324   | 2,670,990   |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             |             |             |             |             |             |
| 7 Unamortized Debt Issuance Costs         |             |             | 1,003       | 2,118       | 3,234       |
| 8 Deferred Charges                        |             |             |             |             |             |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      | 7,124       | 7,124       | 7,124       | 7,124       | 7,124       |
| 11 Other Non-Current Assets               |             |             |             |             |             |
| 12 Total Non-Current Assets               | 7,124       | 7,124       | 8,127       | 9,242       | 10,358      |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 13,558,568  | 13,392,455  | 12,863,882  | 12,223,945  | 11,437,974  |
| 14 Less: Accumulated Depr and Amort.      | 7,673,029   | 7,184,844   | 6,479,884   | 5,742,660   | 5,167,483   |
| 15 Net Regulated Plant                    | 5,885,538   | 6,207,611   | 6,383,998   | 6,481,285   | 6,270,491   |
| 16 Total Assets & Other Debits            | \$8,097,987 | \$8,730,629 | \$8,859,680 | \$8,678,851 | \$8,951,839 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | \$330,602   | \$262,699   | \$215,496   | \$149,589   | \$462,842   |
| 18 Notes Payable                          |             |             |             |             |             |
| 19 Advanced Billings                      | 112,556     | 106,922     | 100,840     | 95,434      | 88,282      |
| 20 Customer Deposits                      |             |             |             |             |             |
| 21 Current Maturities - Long-Term Debt    | 145,072     | 140,338     | 142,380     | 138,008     | 131,790     |
| 22 Current Deferred Income Taxes          |             |             |             |             |             |
| 23 Other Current Liabilities              | 209,074     | 140,811     | 148,568     | 159,417     | 314,177     |
| 24 Total Current Liabilities              | 797,304     | 650,770     | 607,284     | 542,448     | 997,091     |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         | 3,353,937   | 3,501,270   | 3,635,270   | 3,773,292   | 3,911,304   |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        | 4,973       | 4,973       | 4,973       | 4,973       | 8,098       |
| 27 Non-Current Deferred Taxes             | 921,379     | 1,119,547   | 1,072,303   | 1,052,142   | 993,740     |
| 28 Other Deferred Credits                 | 50,007      | 44,979      | 39,271      | 32,603      | 26,294      |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      |             |             |             |             |             |
| 31 Total Other Liab. and Def. Credits     | 976,359     | 1,169,499   | 1,116,547   | 1,089,718   | 1,028,132   |
| <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                      | 2,706,386   | 3,145,090   | 3,236,579   | 3,009,393   | 2,751,312   |
| 36 Total Stockholder's Equity             | 2,970,386   | 3,409,090   | 3,500,579   | 3,273,393   | 3,015,312   |
| 37 Total Liab. and Stockholder's Equity   | \$8,097,987 | \$8,730,629 | \$8,859,680 | \$8,678,851 | \$8,951,839 |

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

| INCOME STATEMENT                              | 2006             | 2005             | 2004             | 2003             | 2002             |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$821,620        | \$818,686        | \$829,674        | \$837,798        | \$830,485        | 1         |
| Network Access Services                       | 3,220,005        | 3,106,648        | 3,233,824        | 2,911,006        | 3,004,379        | 2         |
| Long Distance Network Services                | 26,703           | 48,464           | 75,679           | 90,113           | 93,254           | 3         |
| Miscellaneous Revenues                        | 681,570          | 558,005          | 447,527          | 392,475          | 323,422          | 4         |
| Less: Uncollectible Revenues                  | 28,500           | 18,041           | 19,401           | 47,955           | 52,407           | 5         |
| <b>Total Operating Revenues</b>               | <b>4,721,398</b> | <b>4,513,762</b> | <b>4,567,303</b> | <b>4,183,437</b> | <b>4,199,133</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      |                  |                  |                  |                  |                  | 7         |
| General Support Expenses                      | 103,555          | 93,522           | 97,971           | 92,372           | 73,308           | 8         |
| Central Office Switching                      | 273,672          | 241,369          | 256,665          | 262,501          | 241,799          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 167,069          | 176,968          | 98,348           | 40,817           | 13,022           | 11        |
| Info. Origination/Termination                 | 363,009          | 394,683          | 281,293          | 133,517          | 44,128           | 12        |
| Cable & Wire Facilities                       | 417,102          | 401,656          | 353,973          | 431,723          | 344,315          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>1,324,407</b> | <b>1,308,198</b> | <b>1,088,250</b> | <b>960,930</b>   | <b>716,572</b>   | <b>14</b> |
| Other Plant, Property & Equipment             |                  | 791              |                  |                  |                  | 15        |
| Network Operations                            | 329,855          | 348,172          | 274,230          | 344,729          | 316,489          | 16        |
| Access Expense                                | 24,142           | 23,954           | 23,822           | 19,144           | 12,269           | 17        |
| Depreciation and Amortization                 | 913,896          | 924,596          | 864,309          | 621,521          | 671,216          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,267,892</b> | <b>1,297,513</b> | <b>1,162,361</b> | <b>985,394</b>   | <b>999,974</b>   | <b>19</b> |
| Marketing Expense                             | 14,748           | 14,814           | 8,580            | 12,079           | 30,427           | 20        |
| Services Expense                              | 313,076          | 312,925          | 291,599          | 277,638          | 266,555          | 21        |
| <b>Total Customer Operations</b>              | <b>327,824</b>   | <b>327,739</b>   | <b>300,179</b>   | <b>289,717</b>   | <b>296,982</b>   | <b>22</b> |
| Executive & Planning                          | 456,653          | 484,507          | 529,481          | 361,289          | 357,724          | 23        |
| General & Administrative                      | 815,705          | 798,790          | 804,384          | 851,575          | 853,778          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>1,272,358</b> | <b>1,283,297</b> | <b>1,333,865</b> | <b>1,212,864</b> | <b>1,211,502</b> | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>4,192,482</b> | <b>4,216,747</b> | <b>3,884,655</b> | <b>3,448,905</b> | <b>3,225,030</b> | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  |                  |                  |                  | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 263,071          | 236,609          | 260,959          | 261,802          | 246,736          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>265,844</b>   | <b>60,406</b>    | <b>421,689</b>   | <b>472,730</b>   | <b>727,367</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                  | 3,125            | 4,063            | 33        |
| Federal Income Taxes                          | 32,190           | (7,986)          | (4,691)          | (14,678)         | 137,750          | 34        |
| Provision - Def. Operating Income Taxes - Net |                  |                  | 17,828           | 56,194           | (29,462)         | 35        |
| <b>Net Operating Income</b>                   | <b>\$233,654</b> | <b>\$68,392</b>  | <b>\$408,552</b> | <b>\$434,339</b> | <b>\$623,142</b> | <b>36</b> |

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

|   | <b>2006</b> |             | <b>2004</b> | <b>2003</b> | <b>2002</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$233,654   | \$68,392    | \$408,552   | \$434,339   | \$623,142   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  |             |             |             |             |             |
| 39 Interest Income                                  | 37,425      | 29,943      | 17,469      | 9,148       | 21,383      |
| 40 Income - Sinking and Other Funds                 |             |             |             |             |             |
| 41 Allowance for Funds Used During Construction     |             |             |             | 12,778      | 8,975       |
| 42 Gains/Losses - Disposal of Property              |             |             |             |             |             |
| 43 Equity in Earnings of Affiliated Companies       |             |             |             |             |             |
| 44 Other Non-Operating Income                       | 1,360       | 3,970       |             | 2,000       |             |
| 45 Special Charges                                  | 2,425       | 1,204       | 2,655       | 1,080       | 810         |
| 46 Total Non-Operating Income & Expenses            | 36,360      | 32,709      | 14,814      | 22,846      | 29,548      |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | 5,400       | 7,566       | 3,607       | 322         | 79,686      |
| 48 Other  |             |             |             |             |             |
| 49 Total Non-Operating Taxes                        | 5,400       | 7,566       | 3,607       | 322         | 79,686      |
| 50 Income Available Before Interest Charges         | 264,614     | 93,535      | 419,759     | 456,863     | 573,004     |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          | 178,319     | 185,024     | 191,457     | 197,667     | 203,624     |
| 52 Other Interest Expense                           |             |             | 1,116       | 1,116       | 1,116       |
| 53 Total Interest Charges                           | 178,319     | 185,024     | 192,573     | 198,783     | 204,740     |
| 54 Income Before Extraordinary & Nonreg Items       | 86,295      | (91,489)    | 227,186     | 258,080     | 368,264     |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$86,295    | (\$91,489)  | \$227,186   | \$258,080   | \$368,264   |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$2,620,091 | \$3,236,579 | \$3,009,391 | \$2,751,311 | \$2,383,047 |
| 60 Transferred from Income                          | 86,295      | (91,489)    | 227,186     | 258,080     | 368,264     |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     |             |             |             |             |             |
| 64 Adjustments                                      |             |             |             |             |             |
| 65 Ending Year Balance                              | 2,706,386   | 3,145,090   | 3,236,577   | 3,009,391   | 2,751,311   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |             |             |             |             |             |
| 67 <b>Total Retained Earnings</b>                   | \$2,706,386 | \$3,145,090 | \$3,236,577 | \$3,009,391 | \$2,751,311 |

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

|   | 2006        | 2005         | 2004         | 2003         | 2002         |
|---|-------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |             |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$105,268   | \$1,439,927  | \$1,564,044  | \$1,952,416  | \$1,240,431  |
| 2 Accounts Receivable (Net)               | 1,026,179   | 850,156      | 585,065      | 577,255      | 947,447      |
| 3 Current Deferred Income Taxes           | 6,227       | 75,875       |              |              |              |
| 4 Other Current Assets                    | 186,340     | 394,061      | 374,890      | 313,243      | 306,333      |
| 5 Total Current Assets                    | 1,324,014   | 2,760,020    | 2,523,999    | 2,842,914    | 2,494,211    |
| <b>NON-CURRENT ASSETS</b>                 |             |              |              |              |              |
| 6 Investments                             | 1,217,352   | 1,633,127    | 4,182,083    | 4,740,351    | 4,400,832    |
| 7 Unamortized Debt Issuance Costs         | 19,540      | 23,262       | 31,100       | 34,586       | 38,071       |
| 8 Deferred Charges                        |             |              |              |              |              |
| 9 Other Jurisdictional Assets - Net       |             |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 646,615     | 140,897      | 125,822      | 598,946      | 576,286      |
| 11 Other Non-Current Assets               | 630,408     | (5,402)      | 7,787        | 175,765      | 568,665      |
| 12 Total Non-Current Assets               | 2,513,915   | 1,791,884    | 4,346,792    | 5,549,648    | 5,583,854    |
| <b>REGULATED PLANT</b>                    |             |              |              |              |              |
| 13 Total Telecommunications Plant         | 15,437,328  | 15,344,140   | 14,628,188   | 14,209,490   | 13,651,563   |
| 14 Less: Accumulated Depr and Amort.      | 9,364,592   | 8,399,351    | 7,499,948    | 6,633,384    | 5,883,149    |
| 15 Net Regulated Plant                    | 6,072,735   | 6,944,789    | 7,128,240    | 7,576,106    | 7,768,414    |
| 16 Total Assets & Other Debits            | \$9,910,665 | \$11,496,693 | \$13,999,031 | \$15,968,668 | \$15,846,479 |
| <b>CURRENT LIABILITIES</b>                |             |              |              |              |              |
| 17 Accounts Payable                       | (\$404,582) | \$3,664,933  | \$493,579    | \$483,786    | \$541,108    |
| 18 Notes Payable                          |             |              |              |              |              |
| 19 Advanced Billings                      |             | 1,064        | 12,958       | 3,870        | 11,166       |
| 20 Customer Deposits                      |             |              |              |              |              |
| 21 Current Maturities - Long-Term Debt    | 132,997     | 124,938      |              |              |              |
| 22 Current Deferred Income Taxes          |             |              |              |              |              |
| 23 Other Current Liabilities              | 1,000,473   | (19,651)     | (169,527)    | 1,311,780    | 1,200,292    |
| 24 Total Current Liabilities              | 728,888     | 3,771,283    | 337,010      | 1,799,436    | 1,752,566    |
| <b>LONG-TERM DEBT</b>                     |             |              |              |              |              |
| 25 Long-Term Debt                         | 1,100,196   | 1,233,193    | 2,787,460    | 3,058,186    | 3,311,587    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |              |              |              |              |
| 26 Unamortized ITC                        |             |              |              |              |              |
| 27 Non-Current Deferred Taxes             | 985,823     | 853,632      | 982,786      | 1,031,872    | 933,543      |
| 28 Other Deferred Credits                 | 1,977,624   | 333,377      | 333,377      | 369,588      | 402,127      |
| 29 Other Jurisdictional Differences - Net |             |              |              |              |              |
| 30 Other Liabilities                      | 30,000      | 424,009      | 166,838      | 203,512      | 164,505      |
| 31 Total Other Liab. and Def. Credits     | 2,993,447   | 1,611,018    | 1,483,001    | 1,604,972    | 1,500,175    |
| <b>STOCKHOLDER'S EQUITY</b>               |             |              |              |              |              |
| 32 Common Stock                           | 81,160      | 81,160       | 81,160       | 81,160       | 81,160       |
| 33 Preferred Stock                        |             |              |              |              |              |
| 34 Other Paid in Capital                  |             |              |              | (38,681)     | (65,178)     |
| 35 Retained Earnings                      | 5,006,975   | 4,800,039    | 9,310,400    | 9,463,595    | 9,266,169    |
| 36 Total Stockholder's Equity             | 5,088,135   | 4,881,199    | 9,391,560    | 9,506,074    | 9,282,151    |
| 37 Total Liab. and Stockholder's Equity   | \$9,910,665 | \$11,496,693 | \$13,999,031 | \$15,968,668 | \$15,846,479 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$1,206,253      | \$1,264,620      | \$1,514,717      | \$1,392,146      | \$1,386,528      | 1         |
| Network Access Services                       | 2,460,939        | 2,608,241        | 2,372,411        | 2,501,935        | 2,729,114        | 2         |
| Long Distance Network Services                | 11,427           | 10,320           | (339)            | (433)            | (549)            | 3         |
| Miscellaneous Revenues                        | 405,532          | 464,252          | 451,713          | 520,138          | 539,673          | 4         |
| Less: Uncollectible Revenues                  | (12,006)         | (9,966)          | 16,200           | 16,200           | 22,200           | 5         |
| <b>Total Operating Revenues</b>               | <b>4,096,157</b> | <b>4,357,399</b> | <b>4,322,302</b> | <b>4,397,586</b> | <b>4,632,566</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 5,866            | 11,420           | 19,565           | 18,609           | 13,362           | 7         |
| General Support Expenses                      | 426,438          | 386,913          | 336,339          | 392,397          | 294,616          | 8         |
| Central Office Switching                      | 172,157          | 230,366          | 241,275          | 189,800          | 211,332          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 13,418           | 39,496           | 36,443           | 73,983           | 63,112           | 11        |
| Info. Origination/Termination                 | 61,503           | 30,143           | 31,537           | 38,643           | 40,178           | 12        |
| Cable & Wire Facilities                       | 258,456          | 303,319          | 395,080          | 352,534          | 412,386          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>937,838</b>   | <b>1,001,658</b> | <b>1,060,239</b> | <b>1,065,966</b> | <b>1,034,986</b> | <b>14</b> |
| Other Plant, Property & Equipment             |                  | 13,466           |                  | 2,474            | 3,260            | 15        |
| Network Operations                            | 143,280          | 147,917          | 19,075           | 25,432           | 36,495           | 16        |
| Access Expense                                | 46,724           | 60,237           |                  |                  |                  | 17        |
| Depreciation and Amortization                 | 965,242          | 932,036          | 895,832          | 864,102          | 856,523          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,155,246</b> | <b>1,153,657</b> | <b>914,907</b>   | <b>892,008</b>   | <b>896,278</b>   | <b>19</b> |
| Marketing Expense                             | 69,394           | 96,787           | 13,737           | 74,802           | 66,060           | 20        |
| Services Expense                              | 654,030          | 612,866          | 546,320          | 524,334          | 573,844          | 21        |
| <b>Total Customer Operations</b>              | <b>723,424</b>   | <b>709,653</b>   | <b>560,057</b>   | <b>599,136</b>   | <b>639,904</b>   | <b>22</b> |
| Executive & Planning                          | 138,567          | 446,456          | 409,587          | 457,611          | 530,927          | 23        |
| General & Administrative                      | 514,222          | 1,004,544        | 557,202          | 823,477          | 725,604          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>652,789</b>   | <b>1,451,000</b> | <b>966,789</b>   | <b>1,281,088</b> | <b>1,256,531</b> | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>3,469,297</b> | <b>4,315,968</b> | <b>3,501,992</b> | <b>3,838,198</b> | <b>3,827,699</b> | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  |                  |                  |                  | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 551,392          | 171,893          | 230,822          | 234,104          | 220,518          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>75,468</b>    | <b>(130,462)</b> | <b>589,488</b>   | <b>325,284</b>   | <b>584,349</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                  |                  |                  | 33        |
| Federal Income Taxes                          | 133,601          | (158,667)        | (227,364)        | (4,240)          | 102,974          | 34        |
| Provision - Def. Operating Income Taxes - Net | (449,400)        | (10,326)         | 371,572          | 29,480           | (27,766)         | 35        |
| <b>Net Operating Income</b>                   | <b>\$391,267</b> | <b>\$38,530</b>  | <b>\$445,280</b> | <b>\$300,044</b> | <b>\$509,141</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$391,267   | \$38,530    | \$445,280   | \$300,044   | \$509,141   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  |             | 114,873     | 86,938      | 62,062      | 59,342      |
| 39 Interest Income                                  | 8,256       | 4,960       | 14,422      | 15,685      | 7,929       |
| 40 Income - Sinking and Other Funds                 |             |             |             |             |             |
| 41 Allowance for Funds Used During Construction     |             |             |             |             |             |
| 42 Gains/Losses - Disposal of Property              | 971,482     |             |             |             |             |
| 43 Equity in Earnings of Affiliated Companies       | 179,164     | 214,492     | (280,409)   | 274,868     | 154,260     |
| 44 Other Non-Operating Income                       |             | (1,901)     |             |             |             |
| 45 Special Charges                                  | 835         | 2,640       | 26,343      | 46,694      | 41,802      |
| 46 Total Non-Operating Income & Expenses            | 1,158,067   | 329,784     | (205,392)   | 305,921     | 179,729     |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | (142,595)   | (78,531)    | 12,280      | 8,224       | 5,292       |
| 48 Other  | 943,725     |             |             |             |             |
| 49 Total Non-Operating Taxes                        | 801,130     | (78,531)    | 12,280      | 8,224       | 5,292       |
| 50 Income Available Before Interest Charges         | 748,204     | 446,845     | 227,608     | 597,741     | 683,578     |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          | 114,546     | 168,641     | 222,796     | 242,218     | 260,542     |
| 52 Other Interest Expense                           | 3,722       | 6,027       | 3,486       | 3,575       | 9,769       |
| 53 Total Interest Charges                           | 118,268     | 174,668     | 226,282     | 245,793     | 270,311     |
| 54 Income Before Extraordinary & Nonreg Items       | 629,936     | 272,177     | 1,326       | 351,948     | 413,267     |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$629,936   | \$272,177   | \$1,326     | \$351,948   | \$413,267   |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$4,800,039 | \$9,590,809 | \$6,738,533 | \$6,815,975 | \$6,941,276 |
| 60 Transferred from Income                          | 450,772     | 57,684      | 281,735     | 77,080      | 259,007     |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     |             | 4,782,536   | 154,521     | 154,522     | 158,976     |
| 64 Adjustments                                      |             |             |             |             | (225,332)   |
| 65 Ending Year Balance                              | 5,250,811   | 4,865,957   | 6,865,747   | 6,738,533   | 6,815,975   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | (243,836)   | (65,918)    | 2,444,653   | 2,725,062   | 2,450,194   |
| 67 <b>Total Retained Earnings</b>                   | \$5,006,975 | \$4,800,039 | \$9,310,400 | \$9,463,595 | \$9,266,169 |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$2,718     | \$4,700     | \$4,028     | \$1,323     | \$55,697    |
| 2 Accounts Receivable (Net)               | 83,767      | 90,197      | 204,065     | 189,922     | 156,130     |
| 3 Current Deferred Income Taxes           | 3,300       | 2,898       | 2,458       | 2,016       | 1,579       |
| 4 Other Current Assets                    | 274,136     | 109,580     | 13,215      | 4,788       | 53,179      |
| 5 Total Current Assets                    | 363,921     | 207,375     | 223,766     | 198,049     | 266,585     |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             | 23,598      | 519         | 86,862      | 264,394     | 160,257     |
| 7 Unamortized Debt Issuance Costs         |             |             |             | 1,102       | 1,303       |
| 8 Deferred Charges                        |             |             |             |             |             |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      | 56,552      | 54,743      | 49,097      | 19,290      | (4,069)     |
| 11 Other Non-Current Assets               |             |             |             |             |             |
| 12 Total Non-Current Assets               | 80,150      | 55,262      | 135,959     | 284,786     | 157,491     |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 2,704,137   | 2,661,167   | 2,626,661   | 3,044,491   | 2,307,412   |
| 14 Less: Accumulated Depr and Amort.      | 1,379,314   | 1,227,415   | 1,083,126   | 1,490,623   | 1,379,774   |
| 15 Net Regulated Plant                    | 1,324,823   | 1,433,752   | 1,543,535   | 1,553,868   | 927,638     |
| 16 Total Assets & Other Debits            | \$1,768,894 | \$1,696,389 | \$1,903,260 | \$2,036,703 | \$1,351,714 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | 33,292      | \$20,319    | \$498,027   | \$527,653   | \$71,907    |
| 18 Notes Payable                          |             |             | (250,000)   | (270,000)   | (340,000)   |
| 19 Advanced Billings                      |             |             |             |             |             |
| 20 Customer Deposits                      | 4,295       | 8,345       | 8,343       | 10,175      | 10,674      |
| 21 Current Maturities - Long-Term Debt    |             |             |             | 22,993      | 21,879      |
| 22 Current Deferred Income Taxes          |             |             |             |             |             |
| 23 Other Current Liabilities              | 15,208      | 10,934      | (56,325)    | 4,147       | 45,364      |
| 24 Total Current Liabilities              | 52,795      | 39,598      | 200,045     | 294,968     | (190,176)   |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         |             |             |             | 118,674     | 141,577     |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        |             |             | 1,869       | 3,833       | 5,413       |
| 27 Non-Current Deferred Taxes             | 293,305     | 262,785     | 236,022     | 131,730     | 97,925      |
| 28 Other Deferred Credits                 | 16,492      | 15,307      | 13,052      | 973         | 502         |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      |             |             |             |             |             |
| 31 Total Other Liab. and Def. Credits     | 309,797     | 278,092     | 250,943     | 136,536     | 103,840     |
| <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                      | 1,378,502   | 1,350,899   | 1,424,472   | 1,458,725   | 1,268,673   |
| 36 Total Stockholder's Equity             | 1,406,302   | 1,378,699   | 1,452,272   | 1,486,525   | 1,296,473   |
| 37 Total Liab. and Stockholder's Equity   | \$1,768,894 | \$1,696,389 | \$1,903,260 | \$2,036,703 | \$1,351,714 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>      | <b>2004</b>     | <b>2003</b>     | <b>2002</b>     |           |
|---|------------------|------------------|-----------------|-----------------|-----------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                 |                 |                 |           |
| Local Network Services                        | \$233,149        | \$231,694        | \$228,391       | \$192,867       | \$188,112       | 1         |
| Network Access Services                       | 672,025          | 690,150          | 664,491         | 657,905         | 607,674         | 2         |
| Long Distance Network Services                | 1,360            | 1,923            | 2,999           | 5,464           | 3,839           | 3         |
| Miscellaneous Revenues                        | 96,524           | 94,135           | 104,222         | 121,156         | 121,147         | 4         |
| Less: Uncollectible Revenues                  | 1,617            | (11,841)         | 8,032           | 2,463           | 6,457           | 5         |
| <b>Total Operating Revenues</b>               | <b>1,001,441</b> | <b>1,029,743</b> | <b>992,071</b>  | <b>974,929</b>  | <b>914,315</b>  | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                 |                 |                 |           |
| Network Support Expenses                      |                  | 222              | 895             | (326)           | 309             | 7         |
| General Support Expenses                      | 73,355           | 76,181           | 64,430          | 70,499          | 71,777          | 8         |
| Central Office Switching                      | 29,509           | 20,976           | 77,040          | 108,428         | 115,184         | 9         |
| Operator Systems Expense                      |                  |                  |                 |                 |                 | 10        |
| Central Office Transmission                   | 58,289           | 54,191           | 58,870          | 55,160          | 41,285          | 11        |
| Info. Origination/Termination                 |                  |                  |                 |                 |                 | 12        |
| Cable & Wire Facilities                       | 35,250           | 39,828           | 45,379          | 51,885          | 45,933          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>196,403</b>   | <b>191,398</b>   | <b>246,614</b>  | <b>285,646</b>  | <b>274,488</b>  | <b>14</b> |
| Other Plant, Property & Equipment             | 519              | 608              | 1,176           | (3,952)         | 3,990           | 15        |
| Network Operations                            | 97,917           | 96,635           | 73,296          | 53,008          | 39,503          | 16        |
| Access Expense                                | 11,147           | 11,285           | 10,741          |                 |                 | 17        |
| Depreciation and Amortization                 | 154,594          | 153,439          | 150,366         | 115,739         | 110,260         | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>264,177</b>   | <b>261,967</b>   | <b>235,579</b>  | <b>164,795</b>  | <b>153,753</b>  | <b>19</b> |
| Marketing Expense                             | 18,810           | 16,174           | 18,676          | 20,928          | 20,940          | 20        |
| Services Expense                              | 102,574          | 104,709          | 107,589         | 128,836         | 103,825         | 21        |
| <b>Total Customer Operations</b>              | <b>121,384</b>   | <b>120,883</b>   | <b>126,265</b>  | <b>149,764</b>  | <b>124,765</b>  | <b>22</b> |
| Executive & Planning                          | 307,928          | 187,678          | 179,274         | 166,762         | 136,401         | 23        |
| General & Administrative                      | 67,203           | 64,651           | 87,336          | 45,290          | 83,045          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                 |                 |                 | 25        |
| Other   |                  |                  |                 |                 |                 | 26        |
| <b>Total Corporate Operations</b>             | <b>375,131</b>   | <b>252,329</b>   | <b>266,610</b>  | <b>212,052</b>  | <b>219,446</b>  | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>957,095</b>   | <b>826,577</b>   | <b>875,068</b>  | <b>812,257</b>  | <b>772,452</b>  | <b>28</b> |
| Other Operating Income & Expenses             | 10               | 101              | 2,950           |                 |                 | 29        |
| State & Local Income Taxes                    |                  |                  |                 |                 |                 | 30        |
| Other Taxes                                   | 38,692           | 33,267           | 45,475          | 40,151          | 32,468          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>5,664</b>     | <b>170,000</b>   | <b>74,478</b>   | <b>122,521</b>  | <b>109,395</b>  | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                 |                 | 5,400           | 33        |
| Federal Income Taxes                          | 6,242            | 27,470           | (54,622)        | 16,104          | 45,905          | 34        |
| Provision - Def. Operating Income Taxes - Net | (9,322)          | 19,770           | 82,860          | 28,652          | (8,245)         | 35        |
| <b>Net Operating Income</b>                   | <b>\$8,744</b>   | <b>\$122,760</b> | <b>\$46,240</b> | <b>\$77,765</b> | <b>\$77,135</b> | <b>36</b> |

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

|   | 2006               | 2005               | 2004               | 2003               | 2002               |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| 37 <b>Net Operating Income</b>                      | \$8,744            | \$122,760          | \$46,240           | \$77,765           | \$77,135           |
| <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     | 212                | 222                | 30,794             | 1,537              |                    |
| 42 Gains/Losses - Disposal of Property              |                    |                    |                    |                    |                    |
| 43 Equity in Earnings of Affiliated Companies       | 23,079             | (66,343)           | 92,468             | 104,137            | (56,828)           |
| 44 Other Non-Operating Income                       |                    |                    |                    |                    |                    |
| 45 Special Charges                                  |                    | 377                |                    | 116                |                    |
| 46 Total Non-Operating Income & Expenses            | 23,291             | (66,498)           | 123,262            | 105,558            | (56,828)           |
| <b>NON-OPERATING TAXES</b>                          |                    |                    |                    |                    |                    |
| 47 Federal Income Taxes                             | 16,593             |                    |                    |                    |                    |
| 48 Other  |                    |                    |                    |                    |                    |
| 49 Total Non-Operating Taxes                        | 16,593             |                    |                    |                    |                    |
| 50 Income Available Before Interest Charges         | 15,442             | 56,262             | 169,502            | 183,323            | 20,307             |
| <b>INTEREST CHARGES</b>                             |                    |                    |                    |                    |                    |
| 51 Interest on Funded Debt                          |                    |                    | 2,337              | 7,587              | 8,631              |
| 52 Other Interest Expense                           | (12,161)           | (2,215)            | (7,082)            | (14,316)           | (14,801)           |
| 53 Total Interest Charges                           | (12,161)           | (2,215)            | (4,745)            | (6,729)            | (6,170)            |
| 54 Income Before Extraordinary & Nonreg Items       | 27,603             | 58,477             | 174,247            | 190,052            | 26,477             |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |                    |                    |                    |                    |                    |
| 55 Extraordinary Items                              |                    |                    |                    |                    |                    |
| 56 Nonregulated Revenues                            |                    |                    |                    |                    |                    |
| 57 Total Extraordinary & Nonregulated Items         |                    |                    |                    |                    |                    |
| 58 <b>Net Income</b>                                | <b>\$27,603</b>    | <b>\$58,477</b>    | <b>\$174,247</b>   | <b>\$190,052</b>   | <b>\$26,477</b>    |
| <b>RETAINED EARNINGS STATEMENT</b>                  |                    |                    |                    |                    |                    |
| Unappropriated Retained Earnings:                   |                    |                    |                    |                    |                    |
| 59 Beginning Year Balance                           | \$1,130,380        | \$1,137,610        | \$1,264,331        | \$1,178,416        | \$1,095,111        |
| 60 Transferred from Income                          | 4,524              | 124,820            | 81,779             | 85,915             | 83,305             |
| 61 Appropriations                                   |                    |                    |                    |                    |                    |
| Dividends Declared:                                 |                    |                    |                    |                    |                    |
| 62 Preferred Stock                                  |                    |                    |                    |                    |                    |
| 63 Common Stock                                     |                    | 132,050            | 208,500            |                    |                    |
| 64 Adjustments                                      |                    |                    |                    |                    |                    |
| 65 Ending Year Balance                              | 1,134,904          | 1,130,380          | 1,137,610          | 1,264,331          | 1,178,416          |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 243,598            | 220,519            | 286,862            | 194,394            | 90,257             |
| 67 <b>Total Retained Earnings</b>                   | <b>\$1,378,502</b> | <b>\$1,350,899</b> | <b>\$1,424,472</b> | <b>\$1,458,725</b> | <b>\$1,268,673</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$343,955   | \$118,860   | \$481,622   | \$275,263   | \$447,004   |
| 2 Accounts Receivable (Net)               | 1,442,987   | 874,750     | 606,712     | 757,240     | 1,603,187   |
| 3 Current Deferred Income Taxes           | 19,143      | 17,374      | 15,535      | 13,641      | 11,378      |
| 4 Other Current Assets                    | 363,814     | 307,924     | 277,368     | 297,874     | 288,741     |
| 5 Total Current Assets                    | 2,169,899   | 1,318,908   | 1,381,237   | 1,344,018   | 2,350,310   |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             | 204,274     | 148,730     |             | 231,027     | 156,834     |
| 7 Unamortized Debt Issuance Costs         | 12,676      | 14,125      | 15,574      | 17,023      | 18,471      |
| 8 Deferred Charges                        |             |             |             |             |             |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      | 1,144,134   | 1,054,780   | 1,120,573   | 973,742     | 14,098      |
| 11 Other Non-Current Assets               |             |             |             |             |             |
| 12 Total Non-Current Assets               | 1,361,084   | 1,217,635   | 1,136,147   | 1,221,792   | 189,403     |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 13,250,749  | 13,209,321  | 12,939,157  | 11,925,921  | 11,638,045  |
| 14 Less: Accumulated Depr and Amort.      | 7,262,420   | 6,881,075   | 6,417,400   | 5,857,919   | 5,526,725   |
| 15 Net Regulated Plant                    | 5,988,329   | 6,328,246   | 6,521,757   | 6,068,002   | 6,111,320   |
| 16 Total Assets & Other Debits            | \$9,519,312 | \$8,864,789 | \$9,039,141 | \$8,633,812 | \$8,651,033 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | 224,650     | \$249,477   | \$447,968   | \$556,060   | \$524,105   |
| 18 Notes Payable                          |             |             |             |             | 530,000     |
| 19 Advanced Billings                      | 9,429       | 7,100       | 120         | (271)       |             |
| 20 Customer Deposits                      |             |             |             |             |             |
| 21 Current Maturities - Long-Term Debt    | 139,634     | 132,866     | 120,297     | 108,887     | 108,887     |
| 22 Current Deferred Income Taxes          |             |             |             |             |             |
| 23 Other Current Liabilities              | 755,190     | 368,430     | 1,056,439   | 583,120     | 54,425      |
| 24 Total Current Liabilities              | 1,128,903   | 757,873     | 1,624,824   | 1,247,796   | 1,217,417   |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         | 1,365,121   | 1,504,773   | 1,651,577   | 1,775,530   | 1,889,975   |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        |             |             | 3,768       | 15,168      | 27,368      |
| 27 Non-Current Deferred Taxes             | 816,813     | 840,844     | 797,366     | 740,127     | 688,981     |
| 28 Other Deferred Credits                 | 2,413,443   | 2,408,240   | 2,402,826   | 2,405,073   | 2,493,733   |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      |             |             |             | 267,728     |             |
| 31 Total Other Liab. and Def. Credits     | 3,230,256   | 3,249,084   | 3,203,960   | 3,428,096   | 3,210,082   |
| <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                      | 3,446,182   | 3,004,209   | 2,209,930   | 1,833,540   | 1,984,709   |
| 36 Total Stockholder's Equity             | 3,795,032   | 3,353,059   | 2,558,780   | 2,182,390   | 2,333,559   |
| 37 Total Liab. and Stockholder's Equity   | \$9,519,312 | \$8,864,789 | \$9,039,141 | \$8,633,812 | \$8,651,033 |

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

| INCOME STATEMENT                              | 2006        | 2005        | 2004        | 2003        | 2002        |    |
|---|-------------|-------------|-------------|-------------|-------------|----|
| <b>TELEPHONE OPERATING REVENUES</b>           |             |             |             |             |             |    |
| Local Network Services                        | \$1,469,448 | \$1,495,939 | \$1,486,194 | \$1,476,143 | \$1,477,958 | 1  |
| Network Access Services 1                     | 4,399,797   | 4,259,818   | 3,655,384   | 3,906,294   | 4,640,838   | 2  |
| Long Distance Network Services                |             |             |             |             |             | 3  |
| Miscellaneous Revenues                        | 115,968     | 135,013     | 161,370     | 240,597     | 324,661     | 4  |
| Less: Uncollectible Revenues                  | 5,704       | 16,800      | 3,000       | 1,760       | 9,567       | 5  |
| Total Operating Revenues                      | 5,979,509   | 5,873,970   | 5,299,948   | 5,621,274   | 6,433,890   | 6  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |             |             |             |             |             |    |
| Network Support Expenses                      | 20,975      | 22,441      | 23,246      | 6,981       | 14,021      | 7  |
| General Support Expenses                      | 563,802     | 565,625     | 496,587     | 563,272     | 546,043     | 8  |
| Central Office Switching                      | 370,039     | 365,046     | 302,027     | 311,941     | 423,256     | 9  |
| Operator Systems Expense                      |             |             |             |             |             | 10 |
| Central Office Transmission                   | 334,362     | 212,765     | 103,196     | 119,844     | 123,258     | 11 |
| Info. Origination/Termination                 |             |             |             |             |             | 12 |
| Cable & Wire Facilities                       | 342,411     | 321,572     | 313,770     | 346,956     | 347,405     | 13 |
| Total Plant Specific Operations               | 1,631,589   | 1,487,449   | 1,238,826   | 1,348,994   | 1,453,983   | 14 |
| Other Plant, Property & Equipment             |             |             |             | 56          |             | 15 |
| Network Operations                            | 449,958     | 450,606     | 343,777     | 371,982     | 382,806     | 16 |
| Access Expense                                | 46,009      | 48,835      | 35,483      | 38,657      | 26,488      | 17 |
| Depreciation and Amortization                 | 764,954     | 702,850     | 612,248     | 588,149     | 636,556     | 18 |
| Total Plant Non-Specific Operations           | 1,260,921   | 1,202,291   | 991,508     | 998,844     | 1,045,850   | 19 |
| Marketing Expense                             | 17,423      | 22,131      | 27,321      | 98,276      | 162,041     | 20 |
| Services Expense                              | 300,395     | 309,069     | 282,857     | 323,083     | 294,784     | 21 |
| Total Customer Operations                     | 317,818     | 331,200     | 310,178     | 421,359     | 456,825     | 22 |
| Executive & Planning                          | 554,667     | 675,662     | 715,306     | 610,203     | 1,283,470   | 23 |
| General & Administrative                      | 1,171,471   | 793,262     | 777,455     | 967,051     | 1,190,967   | 24 |
| Provision - Uncollectible Notes Rec.          |             |             |             |             |             | 25 |
| Other   |             |             |             |             |             | 26 |
| Total Corporate Operations                    | 1,726,138   | 1,468,924   | 1,492,761   | 1,577,254   | 2,474,437   | 27 |
| Total Operations Expense                      | 4,936,466   | 4,489,864   | 4,033,273   | 4,346,451   | 5,431,095   | 28 |
| Other Operating Income & Expenses             | 5           |             | 1,010       | 10          |             | 29 |
| State & Local Income Taxes                    |             |             |             |             |             | 30 |
| Other Taxes                                   | 253,108     | 171,128     | 237,358     | 202,943     | 239,645     | 31 |
| <b>Net Operating Income Before FIT</b>        | 789,940     | 1,212,978   | 1,030,327   | 1,071,890   | 763,150     | 32 |
| Investment Tax Credits - Net                  |             | 3,768       | 11,400      | 12,200      | 12,216      | 33 |
| Federal Income Taxes 1                        | 372,699     | 298,900     | 375,217     | 1,148,684   | (136,095)   | 34 |
| Provision - Def. Operating Income Taxes - Net | (115,322)   | 106,578     | (51,035)    | (828,643)   | 135,702     | 35 |
| <b>Net Operating Income</b>                   | \$532,563   | \$811,268   | \$717,545   | \$764,049   | \$775,759   | 36 |

1 Restated in 2001

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$532,563   | \$811,268   | \$717,545   | \$764,049   | \$775,759   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  |             |             |             |             |             |
| 39 Interest Income                                  | 10,733      | 6,355       | 2,828       | 3,898       | 1,716       |
| 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       | 55,544      | 148,730     | (231,027)   | 74,193      | (1,201,350) |
| 44 Other Non-Operating Income                       | 20,800      | 17,750      | 17,750      | 30,500      | 15,000      |
| 45 Special Charges                                  | 28,656      | 10,200      | 17,085      | 1,119,458   | 38,239      |
| 46 Total Non-Operating Income & Expenses            | 58,421      | 162,635     | (227,534)   | (1,010,867) | (1,222,873) |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | 978         | 4,625       | 3,169       | (367,884)   | (7,318)     |
| 48 Other  |             |             |             |             |             |
| 49 Total Non-Operating Taxes                        | 978         | 4,625       | 3,169       | (367,884)   | (7,318)     |
| 50 Income Available Before Interest Charges         | 590,006     | 969,278     | 486,842     | 121,066     | (439,796)   |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          | 77,685      | 84,073      | 90,142      | 95,387      | 101,599     |
| 52 Other Interest Expense                           | 1,436       | 22,014      | 358         | 58,976      | 165,984     |
| 53 Total Interest Charges                           | 79,121      | 106,087     | 90,500      | 154,363     | 267,583     |
| 54 Income Before Extraordinary & Nonreg Items       | 510,885     | 863,191     | 396,342     | (33,297)    | (707,379)   |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$510,885   | \$863,191   | \$396,342   | (\$33,297)  | (\$707,379) |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$3,004,209 | \$2,880,931 | \$2,322,474 | \$2,498,876 | \$2,073,817 |
| 60 Transferred from Income                          | 510,885     | 714,461     | 627,369     | (107,490)   | 493,971     |
| 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      | 59,888      | 59,888      |
| 64 Adjustments                                      |             |             |             |             |             |
| 65 Ending Year Balance                              | 3,446,182   | 3,526,480   | 2,880,931   | 2,322,474   | 2,498,876   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |             | (522,271)   | (671,001)   | (439,974)   | (514,167)   |
| 67 <b>Total Retained Earnings</b>                   | \$3,446,182 | \$3,004,209 | \$2,209,930 | \$1,882,500 | \$1,984,709 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$19,476     | \$19,028     | \$18,386     | \$18,859     | \$17,090     |
| 2 Accounts Receivable (Net)               | 2,493,500    | 2,004,183    | 2,110,350    | 2,454,170    | 2,456,400    |
| 3 Current Deferred Income Taxes           | 22,138       | 7,555        | 13,575       | 10,916       |              |
| 4 Other Current Assets                    | 522,228      | 445,990      | 480,128      | 505,089      | 503,554      |
| 5 Total Current Assets                    | 3,057,342    | 2,476,756    | 2,622,439    | 2,989,034    | 2,977,044    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 440,285      | 377,747      | 578,731      | 542,497      | 358,403      |
| 7 Unamortized Debt Issuance Costs         |              |              |              |              |              |
| 8 Deferred Charges                        |              |              |              |              |              |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 26,927       | 32,329       | 37,490       | 32,942       |              |
| 11 Other Non-Current Assets               |              |              |              |              |              |
| 12 Total Non-Current Assets               | 467,212      | 410,076      | 616,221      | 575,439      | 358,403      |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 30,017,308   | 29360777.15  | 29,248,397   | 28,997,636   | 28,858,977   |
| 14 Less: Accumulated Depr and Amort.      | 19,094,657   | 16993392.98  | 15,410,268   | 13,743,722   | 12,403,580   |
| 15 Net Regulated Plant                    | 10,922,651   | 12,367,384   | 13,838,129   | 15,253,913   | 16,455,396   |
| 16 Total Assets & Other Debits            | \$14,447,205 | \$15,254,216 | \$17,076,790 | \$18,818,387 | \$19,790,843 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | 1,597,395    | \$1,430,897  | \$1,668,248  | \$1,763,448  | \$1,868,995  |
| 18 Notes Payable                          | 312,500      | 338,000      | 382,000      | 407,000      | 426,500      |
| 19 Advanced Billings                      | (2,710)      | 33,184       | 16,559       | 30,064       | 2,273        |
| 20 Customer Deposits                      | 55,485       | 56,074       | 53,484       | 52,826       | 47,944       |
| 21 Current Maturities - Long-Term Debt    |              |              |              |              |              |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 176,116      | 124,913      | 210,334      | 307,328      | 370,262      |
| 24 Total Current Liabilities              | 2,138,786    | 1,983,067    | 2,330,625    | 2,560,666    | 2,715,974    |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         |              |              |              |              |              |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              |              |
| 27 Non-Current Deferred Taxes             | 1,751,686    | 2,023,989    | 2,120,966    | 2,298,222    | 2,354,992    |
| 28 Other Deferred Credits                 | -            |              |              |              | 269          |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | -            |              |              |              |              |
| 31 Total Other Liab. and Def. Credits     | 1,751,686    | 2,023,989    | 2,120,966    | 2,298,222    | 2,355,261    |
| <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    | 3,922,500    |
| 35 Retained Earnings                      | 5,858,913    | 6,549,340    | 7,927,379    | 9,261,679    | 10,021,788   |
| 36 Total Stockholder's Equity             | 10,556,733   | 11,247,160   | 12,625,199   | 13,959,499   | 14,719,608   |
| 37 Total Liab. and Stockholder's Equity   | \$14,447,205 | \$15,254,216 | \$17,076,790 | \$18,818,386 | \$19,790,843 |

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

| INCOME STATEMENT                              | 2006              | 2005             | 2004             | 2003             | 2002               |           |
|---|-------------------|------------------|------------------|------------------|--------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                   |                  |                  |                  |                    |           |
| Local Network Services                        | \$2,034,378       | \$1,939,191      | \$2,033,309      | \$2,095,886      | \$2,115,604        | 1         |
| Network Access Services                       | 5,003,427         | 5,837,573        | 5,845,267        | 5,685,865        | 5,626,280          | 2         |
| Long Distance Network Services                | 108,102           | 126,460          | 165,732          | 181,047          | 182,902            | 3         |
| Miscellaneous Revenues                        | 484,235           | 451,038          | 460,318          | 456,740          | 1,047,120          | 4         |
| Less: Uncollectible Revenues                  | 13,120            | 14,079           | 63,640           | 6,654            | 31,682             | 5         |
| <b>Total Operating Revenues</b>               | <b>7,617,022</b>  | <b>8,340,183</b> | <b>8,440,986</b> | <b>8,412,884</b> | <b>8,940,224</b>   | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                   |                  |                  |                  |                    |           |
| Network Support Expenses                      | 11,406            |                  |                  |                  | 4,980              | 7         |
| General Support Expenses                      | 515,165           | 345,581          | 258,064          | 306,318          | 186,734            | 8         |
| Central Office Switching                      | 509,823           | 545,435          | 691,309          | 637,082          | 842,689            | 9         |
| Operator Systems Expense                      |                   |                  |                  |                  |                    | 10        |
| Central Office Transmission                   |                   | 2,219            | 27,255           | 32,277           | 27,391             | 11        |
| Info. Origination/Termination                 |                   |                  | 33               |                  | 44,928             | 12        |
| Cable & Wire Facilities                       | 735,587           | 586,800          | 552,977          | 550,899          | 469,701            | 13        |
| <b>Total Plant Specific Operations</b>        | <b>1,771,981</b>  | <b>1,480,035</b> | <b>1,529,638</b> | <b>1,526,576</b> | <b>1,576,423</b>   | <b>14</b> |
| Other Plant, Property & Equipment             |                   |                  |                  |                  |                    | 15        |
| Network Operations                            | 418,601           | 365,741          | 347,326          | 308,917          | 337,710            | 16        |
| Access Expense                                | 168,122           | 174,917          | 191,826          | 128,154          | 75,265             | 17        |
| Depreciation and Amortization                 | 1,867,543         | 1,837,718        | 1,839,135        | 1,794,101        | 1,798,527          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>2,454,266</b>  | <b>2,378,376</b> | <b>2,378,287</b> | <b>2,231,172</b> | <b>2,211,502</b>   | <b>19</b> |
| Marketing Expense                             | 346,966           | 336,184          | 472,154          | 489,336          | 528,874            | 20        |
| Services Expense                              | 869,502           | 818,699          | 719,339          | 588,354          | 592,125            | 21        |
| <b>Total Customer Operations</b>              | <b>1,216,468</b>  | <b>1,154,883</b> | <b>1,191,493</b> | <b>1,077,690</b> | <b>1,120,999</b>   | <b>22</b> |
| Executive & Planning                          | 354,528           | 280,760          | 372,015          | 360,008          | 548,545            | 23        |
| General & Administrative                      | 1,493,492         | 1,687,294        | 1,264,256        | 1,355,227        | 1,363,285          | 24        |
| Provision - Uncollectible Notes Rec.          |                   |                  |                  |                  |                    | 25        |
| Other   |                   |                  |                  |                  |                    | 26        |
| <b>Total Corporate Operations</b>             | <b>1,848,020</b>  | <b>1,968,054</b> | <b>1,636,271</b> | <b>1,715,235</b> | <b>1,911,830</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>7,290,735</b>  | <b>6,981,348</b> | <b>6,735,689</b> | <b>6,550,673</b> | <b>6,820,754</b>   | <b>28</b> |
| Other Operating Income & Expenses             | 5,889             | 9,410            | 10,157           | 12,033           |                    | 29        |
| State & Local Income Taxes                    | 16,130            | 16,835           |                  |                  |                    | 30        |
| Other Taxes                                   | 434,972           | 500,358          | 516,439          | 496,642          | 374,847            | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(118,926)</b>  | <b>851,052</b>   | <b>1,199,015</b> | <b>1,377,602</b> | <b>1,744,623</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                   |                  |                  |                  | 15,673             | 33        |
| Federal Income Taxes                          | 240,390           | 443,013          | 579,756          | 546,224          | 665,653            | 34        |
| Provision - Def. Operating Income Taxes - Net | (275,601)         | (85,796)         | (173,654)        | (80,652)         | (75,055)           | 35        |
| <b>Net Operating Income</b>                   | <b>(\$83,715)</b> | <b>\$493,835</b> | <b>\$792,913</b> | <b>\$912,030</b> | <b>\$1,169,698</b> | <b>36</b> |

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

|   | 2006        |             | 2004         | 2003         | 2002         |
|---|-------------|-------------|--------------|--------------|--------------|
| 37 <b>Net Operating Income</b>                      | (\$83,715)  | \$493,835   | \$792,913    | \$912,030    | \$1,169,698  |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |              |              |              |
| 38 Dividend Income                                  |             |             |              |              |              |
| 39 Interest Income                                  | 71          | 72          | 1,983        | 91           | 134          |
| 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       | 109,538     | 16,028      | (58,370)     | 298,094      | 192,211      |
| 44 Other Non-Operating Income                       | 31,504      | 52,600      | 4,512        | 11,565       | 13,877       |
| 45 Special Charges                                  | 8,509       | 10,747      | 13,475       | 18,414       | 27,731       |
| 46 Total Non-Operating Income & Expenses            | 132,604     | 57,953      | (65,351)     | 291,336      | 178,491      |
| <b>NON-OPERATING TAXES</b>                          |             |             |              |              |              |
| 47 Federal Income Taxes                             |             | 10,508      | (7,368)      | (6,800)      | (13,614)     |
| 48 Other  |             |             |              |              |              |
| 49 Total Non-Operating Taxes                        |             | 10,508      | (7,368)      | (6,800)      | (13,614)     |
| 50 Income Available Before Interest Charges         | 48,889      | 541,281     | 734,930      | 1,210,166    | 1,361,803    |
| <b>INTEREST CHARGES</b>                             |             |             |              |              |              |
| 51 Interest on Funded Debt                          |             |             |              |              |              |
| 52 Other Interest Expense                           | 19,316      | 21,308      | 24,838       | 25,275       | 27,675       |
| 53 Total Interest Charges                           | 19,316      | 21,308      | 24,838       | 25,275       | 27,675       |
| 54 Income Before Extraordinary & Nonreg Items       | 29,573      | 519,973     | 710,093      | 1,184,891    | 1,334,129    |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |              |              |              |
| 55 Extraordinary Items                              |             |             |              |              |              |
| 56 Nonregulated Revenues                            |             |             |              |              |              |
| 57 Total Extraordinary & Nonregulated Items         |             |             |              |              |              |
| 58 <b>Net Income</b>                                | \$29,573    | \$519,973   | \$710,093    | \$1,184,891  | \$1,334,129  |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |              |              |              |
| Unappropriated Retained Earnings:                   |             |             |              |              |              |
| 59 Beginning Year Balance                           | \$5,893,779 | \$7,287,846 | \$14,497,776 | \$13,610,979 | \$12,469,062 |
| 60 Transferred from Income                          | (79,965)    | 503,945     | 768,463      | 886,797      | 1,141,917    |
| 61 Appropriations                                   |             |             |              |              |              |
| Dividends Declared:                                 |             |             |              |              |              |
| 62 Preferred Stock                                  |             |             |              |              |              |
| 63 Common Stock                                     |             |             |              |              |              |
| 64 Adjustments                                      |             |             |              |              |              |
| 65 Ending Year Balance                              | 5,813,814   | 7,791,791   | 15,266,239   | 14,497,776   | 13,610,979   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 45,099      | (1,242,451) | (7,338,862)  | (5,236,096)  | (3,589,191)  |
| 67 <b>Total Retained Earnings</b>                   | \$5,858,913 | \$6,549,340 | \$7,927,377  | \$9,261,680  | \$10,021,788 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$21,953     | \$75,875     | \$21,698     | \$69,328     | \$256,839    |
| 2 Accounts Receivable (Net)               | 3,285,401    | 2,771,177    | 2,978,247    | 2,418,214    | 1,282,096    |
| 3 Current Deferred Income Taxes           |              |              | 3,961        | 3,961        | 3,392        |
| 4 Other Current Assets                    | 204,119      | 231,374      | 257,275      | 364,309      | 309,199      |
| 5 Total Current Assets                    | 3,511,473    | 3,078,426    | 3,261,181    | 2,855,812    | 1,851,526    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 1,332,446    | 1,229,316    | 1,516,667    | 2,507,559    | 3,107,886    |
| 7 Unamortized Debt Issuance Costs         | 1,709        | 2,274        | 2,839        | 3,404        | 3,969        |
| 8 Deferred Charges                        | 6,000        | 14,793       | 27,813       | 77,345       | 8,786        |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 616,937      | 282,333      | 291,342      | 148,950      | 1,524        |
| 11 Other Non-Current Assets               | 743,382      | 739,889      | 736,735      | 782,967      | 848,238      |
| 12 Total Non-Current Assets               | 2,700,474    | 2,268,605    | 2,575,396    | 3,520,225    | 3,970,403    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 13,548,280   | 13,247,072   | 12,930,028   | 12,739,437   | 12,680,087   |
| 14 Less: Accumulated Depr and Amort.      | 8,102,282    | 7,542,775    | 6,987,606    | 6,509,066    | 6,107,882    |
| 15 Net Regulated Plant                    | 5,445,998    | 5,704,297    | 5,942,422    | 6,230,371    | 6,572,205    |
| 16 Total Assets & Other Debits            | \$11,657,945 | \$11,051,328 | \$11,778,999 | \$12,606,408 | \$12,394,134 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$497,131    | \$196,000    | \$466,213    | \$466,208    | \$714,475    |
| 18 Notes Payable                          | 53,584       | 418,145      | 490,273      | 409,817      |              |
| 19 Advanced Billings                      | 14,561       | 14,730       | 20,433       | 16,717       | 21,273       |
| 20 Customer Deposits                      | 4,111        | 4,101        | 4,241        | 3,981        | 4,001        |
| 21 Current Maturities - Long-Term Debt    | 190,825      | 202,400      |              |              |              |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 568,039      | 196,507      | 214,861      | 155,447      | 41,716       |
| 24 Total Current Liabilities              | 1,328,251    | 1,031,883    | 1,196,021    | 1,052,170    | 781,465      |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 821,643      | 1012445      | 1,439,678    | 1,667,972    | 1,923,396    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              | 4,483        |
| 27 Non-Current Deferred Taxes             | 1,095,146    | 1,157,667    | 1,203,499    | 1,177,348    | 1,202,071    |
| 28 Other Deferred Credits                 | 1,608,125    | 714,000      | 719,506      | 429,455      | 185,366      |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 238,000      | 148,000      | 169,000      | 207,000      |              |
| 31 Total Other Liab. and Def. Credits     | 2,941,271    | 2,019,667    | 2,092,005    | 1,813,803    | 1,391,920    |
| <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                  | 18,577       | 11,877       | 3,069        | (3,778)      | 196,719      |
| 35 Retained Earnings                      | 6,356,103    | 6,783,356    | 6,856,126    | 7,884,141    | 7,908,534    |
| 36 Total Stockholder's Equity             | 6,566,780    | 6,987,333    | 7,051,295    | 8,072,463    | 8,297,353    |
| 37 Total Liab. and Stockholder's Equity   | \$11,657,945 | \$11,051,328 | \$11,778,999 | \$12,606,408 | \$12,394,134 |

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

| INCOME STATEMENT                              | 2006             | 2005             | 2004             | 2003             | 2002             |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$991,676        | \$978,490        | \$907,535        | \$991,966        | \$957,459        | 1         |
| Network Access Services                       | 1,680,438        | 1,855,401        | 1,812,416        | 2,110,610        | 2,338,926        | 2         |
| Long Distance Network Services                | 31,377           | 35,150           | 64,504           | 72,110           | 79,095           | 3         |
| Miscellaneous Revenues                        | 277,114          | 208,679          | 227,599          | 350,978          | 291,862          | 4         |
| Less: Uncollectible Revenues                  | 452              | 28,120           | 21,343           | 4,800            | 4,800            | 5         |
| <b>Total Operating Revenues</b>               | <b>2,980,153</b> | <b>3,049,600</b> | <b>2,990,711</b> | <b>3,520,864</b> | <b>3,662,542</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 10,115           | 10,297           | 9,548            | 12,751           | 12,024           | 7         |
| General Support Expenses                      | 100,114          | 91,526           | 111,471          | 154,573          | 171,230          | 8         |
| Central Office Switching                      | 203,186          | 220,490          | 235,986          | 204,065          | 206,964          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 7,150            | 7,515            | 15,756           | 7,895            | 10,440           | 11        |
| Info. Origination/Termination                 |                  |                  | 3,908            | 304              | 3,085            | 12        |
| Cable & Wire Facilities                       | 309,159          | 246,959          | 254,540          | 276,529          | 252,825          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>629,724</b>   | <b>576,787</b>   | <b>631,209</b>   | <b>656,117</b>   | <b>656,568</b>   | <b>14</b> |
| Other Plant, Property & Equipment             |                  |                  |                  |                  |                  | 15        |
| Network Operations                            | 72,218           | 35,782           | 32,514           | 33,119           | 55,196           | 16        |
| Access Expense                                | 37,173           | 36,184           | 39,571           | 26,237           | 3,711            | 17        |
| Depreciation and Amortization                 | 669,185          | 634,420          | 624,557          | 663,274          | 771,946          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>778,576</b>   | <b>706,386</b>   | <b>696,642</b>   | <b>722,630</b>   | <b>830,853</b>   | <b>19</b> |
| Marketing Expense                             | 34,475           | 28,393           | 31,392           | 112,775          | 115,121          | 20        |
| Services Expense                              | 315,319          | 352,294          | 341,832          | 440,038          | 529,608          | 21        |
| <b>Total Customer Operations</b>              | <b>349,794</b>   | <b>380,687</b>   | <b>373,224</b>   | <b>552,813</b>   | <b>644,729</b>   | <b>22</b> |
| Executive & Planning                          | 402,573          | 378,188          | 375,360          | 521,314          | 564,293          | 23        |
| General & Administrative                      | 555,160          | 453,466          | 421,909          | 537,652          | 558,619          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>957,733</b>   | <b>831,654</b>   | <b>797,269</b>   | <b>1,058,966</b> | <b>1,122,912</b> | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>2,715,827</b> | <b>2,495,514</b> | <b>2,498,344</b> | <b>2,990,526</b> | <b>3,255,062</b> | <b>28</b> |
| Other Operating Income & Expenses             | 800              | 119              | 193              | 69               | 84               | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 203,986          | 168,348          | 189,163          | 173,356          | 163,534          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>61,140</b>    | <b>385,857</b>   | <b>303,397</b>   | <b>357,051</b>   | <b>244,030</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                  |                  |                  | 33        |
| Federal Income Taxes                          | 77,175           | 182,585          | 199,578          | (31,575)         | 27,929           | 34        |
| Provision - Def. Operating Income Taxes - Net | (400,577)        | (103,697)        | (91,470)         | 52,969           | 87,805           | 35        |
| <b>Net Operating Income</b>                   | <b>\$384,542</b> | <b>\$306,969</b> | <b>\$195,289</b> | <b>\$335,657</b> | <b>\$128,296</b> | <b>36</b> |

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

|   | 2006        | 2005       | 2004        | 2003      | 2002      |
|---|-------------|------------|-------------|-----------|-----------|
| 37 <b>Net Operating Income</b>                  | \$384,542   | \$306,969  | \$195,289   | \$335,657 | \$128,296 |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>      |             |            |             |           |           |
| 38 Dividend Income                              | 4,185       | 57,238     | 51,701      | 31,451    | 25,605    |
| 39 Interest Income                              | 25,768      | 2,896      | 46          | 1,054     | 1,322     |
| 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   | (595,833)   | (267,151)  | (581,149)   | (407,785) | 214,353   |
| 44 Other Non-Operating Income                   | 487,626     | 1,563      | 550         | 626,932   | (178,373) |
| 45 Special Charges                              | 12,314      | 80,120     | 143,784     | 12,144    | (176,869) |
| 46 Total Non-Operating Income & Expenses        | (90,568)    | (285,574)  | (672,636)   | 239,508   | 239,776   |
| <b>NON-OPERATING TAXES</b>                      |             |            |             |           |           |
| 47 Federal Income Taxes                         | 460,968     | 14,854     | 1,925       | 219,726   | (78,852)  |
| 48 Other  |             |            |             |           |           |
| 49 Total Non-Operating Taxes                    | 460,968     | 14,854     | 1,925       | 219,726   | (78,852)  |
| 50 Income Available Before Interest Charges     | (166,994)   | 6,541      | (479,272)   | 355,439   | 446,924   |
| <b>INTEREST CHARGES</b>                         |             |            |             |           |           |
| 51 Interest on Funded Debt                      | 55,974      | 69,202     | 81,864      | 95,331    | 106,975   |
| 52 Other Interest Expense                       | 44,344      | 3,609      | 28,669      | 28,653    | 23,298    |
| 53 Total Interest Charges                       | 100,318     | 72,811     | 110,533     | 123,984   | 130,273   |
| 54 Income Before Extraordinary & Nonreg Items   | (267,312)   | (66,270)   | (589,805)   | 231,455   | 316,651   |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>         |             |            |             |           |           |
| 55 Extraordinary Items                          |             |            |             |           |           |
| 56 Nonregulated Revenues                        |             |            |             |           |           |
| 57 Total Extraordinary & Nonregulated Items     |             |            |             |           |           |
| 58 <b>Net Income</b>                            | (\$267,312) | (\$66,270) | (\$589,805) | \$231,455 | \$316,651 |

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**RETAINED EARNINGS STATEMENT**

|   |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$6,262,937 | \$6,068,556 | \$6,094,074 | \$5,710,682 | \$5,614,884 |
| 60 Transferred from Income                          | 328,521     | 200,881     | (8,656)     | 639,240     | 102,298     |
| 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                              | 6,584,958   | 6,262,937   | 6,068,555   | 6,094,074   | 5,710,682   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | (228,855)   | 520,419     | 787,570     | 1,790,066   | 2,197,851   |
| 67 <b>Total Retained Earnings</b>                   | \$6,356,103 | \$6,783,356 | \$6,856,125 | \$7,884,140 | \$7,908,533 |

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

|  | 2006                 | 2005                 | 2004                 | 2003                   | 2002                 |
|--|----------------------|----------------------|----------------------|------------------------|----------------------|
| <b>CURRENT ASSETS</b>                          |                      |                      |                      |                        |                      |
| 1 Cash and Temporary Cash Investments          | (\$336,353)          | (\$94,241)           | \$389,002            | (\$52,855)             | (\$711,338)          |
| 2 Accounts Receivable (Net)                    | 55,823,061           | 66,311,515           | 58,113,702           | 821,143,006            | 39,481,120           |
| 3 Current Deferred Income Taxes                |                      |                      |                      |                        |                      |
| 4 Other Current Assets                         | 794,258              | 1,165,359            | 952,287              | 675,911                | 1,574,763            |
| 5 Total Current Assets                         | 56,280,965           | 67,382,633           | 59,454,990           | 821,766,062            | 40,344,545           |
| <b>NON-CURRENT ASSETS</b>                      |                      |                      |                      |                        |                      |
| 6 Investments                                  | 181,733              | (94,155,887)         | (109,627,704)        |                        |                      |
| 7 Unamortized Debt Issuance Costs              |                      |                      |                      |                        |                      |
| 8 Deferred Charges                             | 272                  | 4,814,976            | 4,814,976            | 4,831,872              | 6,427,367            |
| 9 Other Jurisdictional Assets - Net            |                      |                      |                      |                        |                      |
| 10 Non-Current Deferred Income Taxes           |                      |                      |                      |                        |                      |
| 11 Other Non-Current Assets                    |                      |                      |                      |                        |                      |
| 12 Total Non-Current Assets                    | 182,005              | (89,340,911)         | (104,812,727)        | 4,831,872              | 6,427,367            |
| <b>REGULATED PLANT</b>                         |                      |                      |                      |                        |                      |
| 13 Total Telecommunications Plant              | 1,072,072,204        | 1,049,905,332        | 1,025,449,409        | 1,000,242,144          | 981,085,071          |
| 14 Less: Accumulated Depr and Amort.           | 674,970,125          | 620,953,844          | 568,540,944          | 515,345,570            | 465,888,491          |
| 15 Net Regulated Plant                         | 397,102,079          | 428,951,488          | 456,908,465          | 484,896,574            | 515,196,580          |
| 16 <b>Total Assets &amp; Other Debits</b>      | <b>\$453,565,049</b> | <b>\$406,993,210</b> | <b>\$411,550,728</b> | <b>\$1,311,494,508</b> | <b>\$561,968,492</b> |
| <b>CURRENT LIABILITIES</b>                     |                      |                      |                      |                        |                      |
| 17 Accounts Payable                            | \$26,932,459         | \$39,795,546         | \$46,272,063         | \$923,032,500          | \$5,190,099          |
| 18 Notes Payable                               |                      |                      |                      |                        |                      |
| 19 Advanced Billings                           | 6,876,667            | 5,391,840            | 5,281,084            | 5,024,485              | 4,754,689            |
| 20 Customer Deposits                           | (45,634)             | (44,493)             | (45,483)             | (44,511)               | (46,499)             |
| 21 Current Maturities - Long-Term Debt         |                      |                      |                      |                        |                      |
| 22 Current Deferred Income Taxes               |                      |                      |                      |                        |                      |
| 23 Other Current Liabilities                   | 645,750              | 251,472              | 575,222              | 618,520                | (8,061,232)          |
| 24 Total Current Liabilities                   | 34,409,242           | 45,394,365           | 52,082,886           | 928,630,994            | 1,837,057            |
| <b>LONG-TERM DEBT</b>                          |                      |                      |                      |                        |                      |
| 25 Long-Term Debt                              |                      |                      |                      |                        | 225,145,745          |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b>      |                      |                      |                      |                        |                      |
| 26 Unamortized ITC                             |                      |                      |                      |                        |                      |
| 27 Non-Current Deferred Taxes                  | 76,882,873           | 77,267,784           | 73,455,271           | 79,750,903             | 77,212,786           |
| 28 Other Deferred Credits                      | 13,081,722           | 13,346,581           | 13,392,296           | 12,806,679             | 17,764,389           |
| 29 Other Jurisdictional Differences - Net      |                      |                      |                      |                        |                      |
| 30 Other Liabilities                           |                      |                      |                      |                        | 5,397,193            |
| 31 Total Other Liab. and Def. Credits          | 89,964,595           | 90,614,365           | 86,847,567           | 92,557,582             | 100,374,368          |
| <b>STOCKHOLDER'S EQUITY</b>                    |                      |                      |                      |                        |                      |
| 32 Common Stock                                | 1,000                | 1,000                | 1,000                | 1,000                  | 1,000                |
| 33 Preferred Stock                             |                      |                      |                      |                        |                      |
| 34 Other Paid in Capital                       |                      |                      |                      |                        |                      |
| 35 Retained Earnings                           | 329,190,212          | 270,983,480          | 272,619,275          | 290,304,932            | 234,610,322          |
| 36 Total Stockholder's Equity                  | 329,191,212          | 270,984,480          | 272,620,275          | 290,305,932            | 234,611,322          |
| 37 <b>Total Liab. and Stockholder's Equity</b> | <b>\$453,565,049</b> | <b>\$406,993,210</b> | <b>\$411,550,729</b> | <b>\$1,311,494,508</b> | <b>\$561,968,492</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>2006</b>         | <b>2005</b>         | <b>2004</b>         | <b>2003</b>         | <b>2002</b>         |           |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                     |                     |                     |                     |                     |           |
| Local Network Services                        | \$83,627,655        | \$86,875,168        | \$82,569,473        | \$80,443,958        | \$77,948,089        | 1         |
| Network Access Services                       | 123,465,712         | 138,855,299         | 140,353,267         | 138,437,761         | 131,005,720         | 2         |
| Long Distance Network Services                | 23,830              | (58,611)            | 160,319             | (999)               | 10,621              | 3         |
| Miscellaneous Revenues                        | 50,102,105          | 31,867,497          | 29,270,366          | 29,594,869          | 29,939,675          | 4         |
| Less: Uncollectible Revenues                  | 2,572,319           | 1,038,593           | 1,793,509           | 1,967,669           | 1,597,056           | 5         |
| <b>Total Operating Revenues</b>               | <b>254,646,983</b>  | <b>256,500,760</b>  | <b>250,559,916</b>  | <b>246,507,920</b>  | <b>237,307,049</b>  | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                     |                     |                     |                     |                     |           |
| Network Support Expenses                      | 70                  | 5,255               | 70,570              | 470                 | 1,133,302           | 7         |
| General Support Expenses                      | 9,647,177           | 12,150,214          | 14,716,908          | 11,155,493          | 13,968,177          | 8         |
| Central Office Switching                      | 5,576,544           | 5,757,918           | 5,525,226           | 4,839,597           | 4,335,376           | 9         |
| Operator Systems Expense                      | 84,272              | 26,083              | 22,233              | 899                 | 2,099               | 10        |
| Central Office Transmission                   | 1,764,539           | 1,725,457           | 1,606,839           | 1,668,098           | 1,607,623           | 11        |
| Info. Origination/Termination                 | 8,770,477           | 7,962,023           | 6,267,735           | 5,842,247           | 5,104,073           | 12        |
| Cable & Wire Facilities                       | 12,513,541          | 13,985,901          | 13,572,787          | 11,805,819          | 12,031,355          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>38,356,620</b>   | <b>41,612,851</b>   | <b>41,782,298</b>   | <b>35,312,623</b>   | <b>38,182,005</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | (3,461)             | 95                  | 2,469               | 2,793               | 54,590              | 15        |
| Network Operations                            | 13,082,148          | 13,966,416          | 14,234,862          | 14,446,949          | 13,274,399          | 16        |
| Access Expense                                | 4,948,370           | 5,615,133           | 4,282,906           | 3,457,017           | 1,482,093           | 17        |
| Depreciation and Amortization                 | 51,662,661          | 52,155,491          | 52,105,584          | 56,158,787          | 56,486,076          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>69,689,718</b>   | <b>71,737,135</b>   | <b>70,625,822</b>   | <b>74,065,546</b>   | <b>71,297,158</b>   | <b>19</b> |
| Marketing Expense                             | 4,947,708           | 3,872,866           | 3,737,540           | 3,696,715           | 3,547,724           | 20        |
| Services Expense                              | 10,327,717          | 10,099,755          | 11,486,198          | 11,037,933          | 12,062,535          | 21        |
| <b>Total Customer Operations</b>              | <b>15,275,425</b>   | <b>13,972,621</b>   | <b>15,223,738</b>   | <b>14,734,648</b>   | <b>15,610,259</b>   | <b>22</b> |
| Executive & Planning                          | 2,396,019           | 2,511,640           | 13,033,509          | 1,669,539           | 4,688,370           | 23        |
| General & Administrative                      | 12,874,622          | 14,423,599          | 17,316,117          | 14,424,362          | 18,274,458          | 24        |
| Provision - Uncollectible Notes Rec.          |                     |                     |                     |                     |                     | 25        |
| Other   |                     |                     |                     |                     |                     | 26        |
| <b>Total Corporate Operations</b>             | <b>15,270,640</b>   | <b>16,935,239</b>   | <b>30,349,627</b>   | <b>16,093,901</b>   | <b>22,962,828</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>138,592,403</b>  | <b>144,257,846</b>  | <b>157,981,485</b>  | <b>140,206,718</b>  | <b>148,052,250</b>  | <b>28</b> |
| Other Operating Income & Expenses             |                     |                     |                     |                     |                     | 29        |
| State & Local Income Taxes                    | 4,814,704           |                     |                     | (39)                |                     | 30        |
| Other Taxes                                   | 13,620,315          | 13,308,760          | 13,434,243          | 13,514,307          | 13,662,432          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>97,619,561</b>   | <b>98,934,154</b>   | <b>79,144,189</b>   | <b>92,786,934</b>   | <b>75,592,367</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                     |                     |                     |                     |                     | 33        |
| Federal Income Taxes                          | 34,012,116          | 36,596,079          | 24,997,298          | 22,084,772          | 12,349,061          | 34        |
| Provision - Def. Operating Income Taxes - Net | 154,730             | (1,968,360)         | 2,703,167           | 10,390,642          | 12,263,628          | 35        |
| <b>Net Operating Income</b>                   | <b>\$63,452,715</b> | <b>\$64,306,435</b> | <b>\$51,443,723</b> | <b>\$60,311,520</b> | <b>\$50,979,678</b> | <b>36</b> |

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

|   | 2006          | 2005          | 2004          | 2003          | 2002          |
|---|---------------|---------------|---------------|---------------|---------------|
| 37 <b>Net Operating Income</b>                      | \$63,452,715  | \$64,306,435  | \$51,443,723  | \$60,311,520  | \$50,979,678  |
| <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     | 193,844       | 68,953        | 119,917       | 563,015       | 896,566       |
| 42 Gains/Losses - Disposal of Property              | 96,607        |               |               |               |               |
| 43 Equity in Earnings of Affiliated Companies       |               |               |               |               |               |
| 44 Other Non-Operating Income                       | (5,804,389)   | (5,848,118)   | (5,817,610)   | (5,849,773)   | (5,849,773)   |
| 45 Special Charges                                  | 1,543,723     | 62,360        | 387,468       | 439,312       | 232,258       |
| 46 Total Non-Operating Income & Expenses            | (7,057,660)   | (5,841,525)   | (6,085,162)   | (5,726,070)   | (5,185,465)   |
| <b>NON-OPERATING TAXES</b>                          |               |               |               |               |               |
| 47 Federal Income Taxes                             | (1,812,598)   | (2,399,310)   | (1,615,859)   | (2,262,804)   | (89,858)      |
| 48 Other  |               |               |               |               |               |
| 49 Total Non-Operating Taxes                        | (1,812,598)   | (2,399,310)   | (1,615,859)   | (2,262,804)   | (89,858)      |
| 50 Income Available Before Interest Charges         | 58,207,652    | 60,864,221    | 46,974,420    | 56,848,254    | 45,884,071    |
| <b>INTEREST CHARGES</b>                             |               |               |               |               |               |
| 51 Interest on Funded Debt                          |               |               |               |               |               |
| 52 Other Interest Expense                           | 3,112         | 16            | 76            | 1,153,644     | 1,248,039     |
| 53 Total Interest Charges                           | 3,112         | 16            | 76            | 1,153,644     | 1,248,039     |
| 54 Income Before Extraordinary & Nonreg Items       | 58,204,540    | 60,864,205    | 46,974,344    | 55,694,610    | 44,636,032    |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |               |               |               |               |               |
| 55 Extraordinary Items                              |               |               |               |               |               |
| 56 Nonregulated Revenues                            |               |               |               |               |               |
| 57 Total Extraordinary & Nonregulated Items         |               |               |               |               |               |
| 58 <b>Net Income</b>                                | \$58,204,540  | \$60,864,205  | \$46,974,344  | \$55,694,610  | \$44,636,032  |
| <hr/>   |               |               |               |               |               |
| <b>RETAINED EARNINGS STATEMENT</b>                  |               |               |               |               |               |
| Unappropriated Retained Earnings:                   |               |               |               |               |               |
| 59 Beginning Year Balance                           | \$270,985,666 | \$272,619,276 | \$290,304,932 | \$234,610,322 | \$188,795,485 |
| 60 Transferred from Income                          | 58,204,546    | 60,864,205    | 46,974,344    | 55,694,610    | 44,636,032    |
| 61 Appropriations                                   |               |               |               |               |               |
| Dividends Declared:                                 |               |               |               |               |               |
| 62 Preferred Stock                                  |               |               |               |               |               |
| 63 Common Stock                                     |               | 62,500,000    | 64,660,000    |               |               |
| 64 Adjustments                                      |               |               |               |               | 1,178,805     |
| 65 Ending Year Balance                              | 329,190,212   | 270,983,481   | 272,619,276   | 290,304,932   | 234,610,322   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |               |               |               |               |               |
| 67 <b>Total Retained Earnings</b>                   | \$329,190,212 | \$270,983,481 | \$272,619,276 | \$290,304,932 | \$234,610,322 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$631,882    | \$249,748    | \$329,467    | \$261,003    | \$498,175    |
| 2 Accounts Receivable (Net)               | 1,009,617    | 907,116      | 707,101      | 735,690      | 444,516      |
| 3 Current Deferred Income Taxes           |              |              |              |              |              |
| 4 Other Current Assets                    | 356,390      | 344,380      | 321,917      | 251,192      | 211,245      |
| 5 Total Current Assets                    | 1,997,888    | 1,501,243    | 1,358,486    | 1,247,885    | 1,153,935    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 4,588,743    | 4,294,296    | 3,606,039    | 3,763,310    | 3,830,295    |
| 7 Unamortized Debt Issuance Costs         | 75,420       | 50,287       | 27,714       | 26,495       | 23,362       |
| 8 Deferred Charges                        |              |              |              |              |              |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 835,987      | 560,242      | 531,022      | 414,364      | 385,464      |
| 11 Other Non-Current Assets               |              |              |              |              |              |
| 12 Total Non-Current Assets               | 5,500,150    | 4,904,824    | 4,164,775    | 4,204,169    | 4,239,121    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 10,276,429   | 10,424,693   | 10,013,135   | 10,121,782   | 9,798,368    |
| 14 Less: Accumulated Depr and Amort.      | 6,111,572    | 5,697,428    | 5,130,570    | 5,262,608    | 4,699,803    |
| 15 Net Regulated Plant                    | 4,164,857    | 4,727,265    | 4,882,565    | 4,859,174    | 5,098,565    |
| 16 Total Assets & Other Debits            | \$11,662,895 | \$11,133,333 | \$10,405,826 | \$10,311,227 | \$10,491,621 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$480,767    | \$627,578    | \$407,356    | \$208,960    | \$288,385    |
| 18 Notes Payable                          |              | 914,412      | 400,000      | 150,000      |              |
| 19 Advanced Billings                      | 14,934       | 15,153       | 15,459       | 15,018       | 13,917       |
| 20 Customer Deposits                      | 2,229        | 3,202        | 2,008        | 2,937        | 2,575        |
| 21 Current Maturities - Long-Term Debt    |              |              |              |              |              |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 436,568      | (108,564)    | (181,988)    | (92,978)     | (58,426)     |
| 24 Total Current Liabilities              | 934,499      | 1,451,781    | 642,834      | 283,937      | 246,452      |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 2,645,159    | 2,821,486    | 3,036,226    | 3,239,398    | 3,431,730    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              |              |
| 27 Non-Current Deferred Taxes             | 449,349      | 565,353      | 541,842      | 548,268      | 645,729      |
| 28 Other Deferred Credits                 | 1,204,576    | 127,938      | 126,198      | 123,823      | 120,837      |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 1,325,936    | 1,234,300    | 1,151,305    | 1,094,894    | 1,012,885    |
| 31 Total Other Liab. and Def. Credits     | 2,979,861    | 1,927,591    | 1,819,346    | 1,766,986    | 1,779,452    |
| <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                  | (18,986)     | (19,211)     | (18,784)     | (18,720)     | (19,202)     |
| 35 Retained Earnings                      | 5,057,362    | 4,886,685    | 4,861,203    | 4,974,627    | 4,988,189    |
| 36 Total Stockholder's Equity             | 5,103,376    | 4,932,475    | 4,907,419    | 5,020,907    | 5,033,987    |
| 37 Total Liab. and Stockholder's Equity   | \$11,662,895 | \$11,133,333 | \$10,405,826 | \$10,311,227 | \$10,491,621 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$191,946        | \$199,042        | \$204,260        | \$199,240        | \$199,670        | 1         |
| Network Access Services                       | 2,337,694        | 2,602,640        | 2,744,974        | 2,840,154        | 2,929,333        | 2         |
| Long Distance Network Services                |                  |                  |                  |                  |                  | 3         |
| Miscellaneous Revenues                        | 251,657          | 346,158          | 335,596          | 336,830          | 227,319          | 4         |
| Less: Uncollectible Revenues                  | 4,000            | 4,000            | 4,400            |                  |                  | 5         |
| <b>Total Operating Revenues</b>               | <b>2,777,297</b> | <b>3,143,839</b> | <b>3,280,430</b> | <b>3,376,225</b> | <b>3,356,322</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 12,040           | 16,966           | 5,625            | 3,146            | 11,870           | 7         |
| General Support Expenses                      | 164,790          | 188,925          | 310,766          | 224,369          | 238,381          | 8         |
| Central Office Switching                      | 95,398           | 171,903          | 130,223          | 129,679          | 135,047          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 132,030          | 99,135           | 40,609           | 36,642           | 17,090           | 11        |
| Info. Origination/Termination                 | 111,708          | 156,432          | 157,448          | 138,528          | 74,029           | 12        |
| Cable & Wire Facilities                       | 90,334           | 113,118          | 130,244          | 189,225          | 246,046          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>606,299</b>   | <b>746,479</b>   | <b>774,915</b>   | <b>721,589</b>   | <b>722,464</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | 904              | 2,514            | 4,853            | 2,369            | 1,530            | 15        |
| Network Operations                            | 281,884          | 328,719          | 391,301          | 376,150          | 324,508          | 16        |
| Access Expense                                | 38,045           | 23,908           | 25,818           | 11,089           | 842              | 17        |
| Depreciation and Amortization                 | 571,704          | 596,443          | 577,487          | 602,333          | 589,039          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>892,537</b>   | <b>951,585</b>   | <b>999,459</b>   | <b>991,941</b>   | <b>915,920</b>   | <b>19</b> |
| Marketing Expense                             | 2,194            | 4,584            | 6,524            | 6,930            | 6,146            | 20        |
| Services Expense                              | 151,647          | 297,349          | 292,390          | 265,069          | 275,476          | 21        |
| <b>Total Customer Operations</b>              | <b>153,840</b>   | <b>301,933</b>   | <b>298,914</b>   | <b>271,999</b>   | <b>281,622</b>   | <b>22</b> |
| Executive & Planning                          | 327,134          | 337,242          | 388,611          | 446,154          | 412,151          | 23        |
| General & Administrative                      | 484,020          | 401,353          | 402,685          | 465,681          | 542,849          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>811,154</b>   | <b>738,596</b>   | <b>791,296</b>   | <b>911,835</b>   | <b>954,999</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>2,463,830</b> | <b>2,738,591</b> | <b>2,864,585</b> | <b>2,897,363</b> | <b>2,875,005</b> | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  |                  |                  |                  | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 135,104          | 136,616          | 119,018          | 3,190            | 135,331          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>178,363</b>   | <b>268,632</b>   | <b>296,827</b>   | <b>475,672</b>   | <b>345,987</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                  |                  |                  | 33        |
| Federal Income Taxes                          | 256,678          | 1,141            | 100,955          | 196,253          | 120,000          | 34        |
| Provision - Def. Operating Income Taxes - Net | (270,598)        | (5,708)          | (123,084)        | (85,916)         | (62,920)         | 35        |
| <b>Net Operating Income</b>                   | <b>\$192,283</b> | <b>\$273,199</b> | <b>\$318,956</b> | <b>\$365,334</b> | <b>\$288,907</b> | <b>36</b> |

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

|   | 2006             | 2005             | 2004              | 2003            | 2002               |
|---|------------------|------------------|-------------------|-----------------|--------------------|
| 37 <b>Net Operating Income</b>                  | \$192,283        | \$273,199        | \$318,956         | \$365,334       | \$288,907          |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>      |                  |                  |                   |                 |                    |
| 38 Dividend Income                              | 2,600            | 2,869            | 2,818             | 2,599           | 3,011              |
| 39 Interest Income                              | 31,373           | 16,997           | 21,530            | 38,469          | 30,233             |
| 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   | 226,115          | 256,476          | (126,287)         | (57,559)        | (170,672)          |
| 44 Other Non-Operating Income                   | 512,565          | 37,554           | 36,092            | 8,352           | (363)              |
| 45 Special Charges                              | 83,183           | 5,109            | 10,016            | 10,954          | 9,323              |
| 46 Total Non-Operating Income & Expenses        | 689,470          | 308,787          | (75,863)          | (19,093)        | (147,114)          |
| <b>NON-OPERATING TAXES</b>                      |                  |                  |                   |                 |                    |
| 47 Federal Income Taxes                         | 185,822          |                  | 4,692             |                 |                    |
| 48 Other  | 13,888           |                  |                   |                 |                    |
| 49 Total Non-Operating Taxes                    | 199,710          |                  | 4,692             |                 |                    |
| 50 Income Available Before Interest Charges     | 682,044          | 581,986          | 238,402           | 346,241         | 141,793            |
| <b>INTEREST CHARGES</b>                         |                  |                  |                   |                 |                    |
| 51 Interest on Funded Debt                      | 208,504          | 173,308          | 179,717           | 185,699         | 186,150            |
| 52 Other Interest Expense                       | 99,163           | 127,262          | 86,008            | 90,104          | 90,834             |
| 53 Total Interest Charges                       | 307,667          | 300,571          | 265,725           | 275,803         | 276,984            |
| 54 Income Before Extraordinary & Nonreg Items   | 374,377          | 281,415          | (27,323)          | 70,438          | (135,191)          |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>         |                  |                  |                   |                 |                    |
| 55 Extraordinary Items                          |                  |                  |                   |                 |                    |
| 56 Nonregulated Revenues                        |                  |                  |                   |                 |                    |
| 57 Total Extraordinary & Nonregulated Items     |                  |                  |                   |                 |                    |
| 58 <b>Net Income</b>                            | <b>\$374,377</b> | <b>\$281,415</b> | <b>(\$27,323)</b> | <b>\$70,438</b> | <b>(\$135,191)</b> |

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**RETAINED EARNINGS STATEMENT**

|   |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Unappropriated Retained Earnings:                   |                    |                    |                    |                    |                    |
| 59 Beginning Year Balance                           | \$3,226,524        | \$3,432,585        | \$3,419,721        | \$3,375,725        | \$3,424,244        |
| 60 Transferred from Income                          | 148,262            | 24,940             | 98,963             | 127,997            | 35,481             |
| 61 Appropriations                                   |                    |                    |                    |                    |                    |
| Dividends Declared:                                 |                    |                    |                    |                    |                    |
| 62 Preferred Stock                                  |                    |                    |                    |                    |                    |
| 63 Common Stock                                     | 203,700            | 231,000            | 86,100             | 84,000             | 84,000             |
| 64 Adjustments                                      |                    |                    |                    |                    |                    |
| 65 Ending Year Balance                              | 3,171,086          | 3,226,524          | 3,432,585          | 3,419,721          | 3,375,725          |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 1,886,276          | 1,660,161          | 1,428,619          | 1,554,906          | 1,612,465          |
| 67 <b>Total Retained Earnings</b>                   | <b>\$5,057,363</b> | <b>\$4,886,686</b> | <b>\$4,861,204</b> | <b>\$4,974,627</b> | <b>\$4,988,189</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$451,870   | \$771,833   | \$244,537   | \$456,569   | \$111,483   |
| 2 Accounts Receivable (Net)               | 277,162     | 289,200     | 174,666     | 536,872     | 347,984     |
| 3 Current Deferred Income Taxes           |             |             |             |             |             |
| 4 Other Current Assets                    | 200,869     | 297,482     | 193,158     | 175,751     | 284,922     |
| 5 Total Current Assets                    | 929,901     | 1,358,515   | 612,360     | 1,169,193   | 744,388     |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             | 552,642     | 641,110     | 2,158,000   | 3,383,512   | 3,470,118   |
| 7 Unamortized Debt Issuance Costs         | 4,341       | 4,777       | 5,212       | 5,648       | 6,083       |
| 8 Deferred Charges                        | 14,235      | 22,686      | 39,901      | 25,833      |             |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      | 499,193     | 224,476     | 182,096     | 295,334     | 4,636       |
| 11 Other Non-Current Assets               |             |             |             |             |             |
| 12 Total Non-Current Assets               | 1,070,411   | 893,049     | 2,385,209   | 3,710,327   | 3,480,837   |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 6,995,763   | 7,524,996   | 7,386,921   | 7,117,331   | 6,782,033   |
| 14 Less: Accumulated Depr and Amort.      | 3,592,390   | 3,395,869   | 3,257,353   | 3,027,034   | 2,769,445   |
| 15 Net Regulated Plant                    | 3,403,373   | 4,129,127   | 4,129,568   | 4,090,298   | 4,012,588   |
| 16 Total Assets & Other Debits            | \$5,403,686 | \$6,380,691 | \$7,127,137 | \$8,969,817 | \$8,237,814 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | \$60,542    | \$51,524    | \$169,478   | \$668,971   | \$403,318   |
| 18 Notes Payable                          | 62,041      | 87,451      | 137,858     |             | 90,000      |
| 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              | 169,941     | 50,487      | (239,255)   | (2,031)     | (136,654)   |
| 24 Total Current Liabilities              | 296,924     | 193,863     | 72,481      | 671,340     | 361,064     |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         | 3,685,523   | 3,775,909   | 3,822,368   | 3,747,412   | 3,285,380   |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        |             |             |             | 4,695       | 8,995       |
| 27 Non-Current Deferred Taxes             | 512,180     | 489,358     | 470,889     | 429,894     | 230,151     |
| 28 Other Deferred Credits                 | 11,566      | 636,697     | 23,468      | 23,741      | 4,636       |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      |             |             |             |             |             |
| 31 Total Other Liab. and Def. Credits     | 523,746     | 1,126,055   | 494,357     | 458,330     | 243,782     |
| <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                      | 868,330     | 1,255,702   | 2,708,769   | 4,063,571   | 4,318,425   |
| 36 Total Stockholder's Equity             | 897,493     | 1,284,865   | 2,737,932   | 4,092,734   | 4,347,588   |
| 37 Total Liab. and Stockholder's Equity   | \$5,403,686 | \$6,380,692 | \$7,127,137 | \$8,969,816 | \$8,237,814 |

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

| INCOME STATEMENT                              | 2006             | 2005             | 2004             | 2003             | 2002              |           |
|---|------------------|------------------|------------------|------------------|-------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                   |           |
| Local Network Services                        | \$283,501        | \$239,965        | \$217,823        | \$159,997        | \$171,493         | 1         |
| Network Access Services                       | 1,304,166        | 1,431,462        | 1,332,613        | 1,388,836        | 1,400,601         | 2         |
| Long Distance Network Services                | 224,796          | 286,014          | 336,717          | 471,051          | 459,334           | 3         |
| Miscellaneous Revenues                        | 43,362           | 73,965           | 56,431           | 76,632           | 77,093            | 4         |
| Less: Uncollectible Revenues                  | 3,000            | 3,000            | 3,000            | 3,000            | 10,000            | 5         |
| <b>Total Operating Revenues</b>               | <b>1,852,826</b> | <b>2,028,407</b> | <b>1,940,584</b> | <b>2,093,515</b> | <b>2,098,522</b>  | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                   |           |
| Network Support Expenses                      | 8,810            | 5,413            | 8,511            | 3,554            | 2,619             | 7         |
| General Support Expenses                      | 97,744           | 88,277           | 83,511           | 89,212           | 148,154           | 8         |
| Central Office Switching                      | 100,150          | 98,902           | 89,410           | 196,005          | 97,171            | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                   | 10        |
| Central Office Transmission                   | 21,982           | 20,258           | 27,836           | 20,226           | 70,939            | 11        |
| Info. Origination/Termination                 | 955              | 3,467            | 6,202            | 9,263            | 15,571            | 12        |
| Cable & Wire Facilities                       | 342,999          | 285,052          | 271,515          | 256,798          | 225,722           | 13        |
| <b>Total Plant Specific Operations</b>        | <b>572,639</b>   | <b>501,370</b>   | <b>486,987</b>   | <b>575,058</b>   | <b>560,176</b>    | <b>14</b> |
| Other Plant, Property & Equipment             |                  |                  |                  |                  |                   | 15        |
| Network Operations                            | 100,375          | 97,953           | 121,078          | 213,597          | 221,146           | 16        |
| Access Expense                                | 25,268           |                  |                  |                  |                   | 17        |
| Depreciation and Amortization                 | 243,880          | 232,869          | 237,290          | 254,886          | 284,002           | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>369,523</b>   | <b>330,822</b>   | <b>358,368</b>   | <b>468,483</b>   | <b>505,148</b>    | <b>19</b> |
| Marketing Expense                             | 8,059            | 7,624            | 8,944            | 6,471            | 12,018            | 20        |
| Services Expense                              | 178,862          | 242,074          | 244,822          | 297,165          | 303,778           | 21        |
| <b>Total Customer Operations</b>              | <b>186,921</b>   | <b>249,698</b>   | <b>253,767</b>   | <b>303,636</b>   | <b>315,796</b>    | <b>22</b> |
| Executive & Planning                          | 134,010          | 128,441          | 154,026          | 215,639          | 210,716           | 23        |
| General & Administrative                      | 489,902          | 561,371          | 605,163          | 487,473          | 498,299           | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                   | 25        |
| Other   |                  |                  |                  |                  |                   | 26        |
| <b>Total Corporate Operations</b>             | <b>623,912</b>   | <b>689,812</b>   | <b>759,189</b>   | <b>703,112</b>   | <b>709,015</b>    | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>1,752,994</b> | <b>1,771,702</b> | <b>1,858,311</b> | <b>2,050,289</b> | <b>2,090,135</b>  | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  |                  |                  |                   | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                   | 30        |
| Other Taxes                                   | 111,019          | 106,629          | 119,890          | 115,074          | 68,778            | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(11,187)</b>  | <b>150,076</b>   | <b>(37,616)</b>  | <b>(71,848)</b>  | <b>(60,391)</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  | 4,695            | 4,300            | 4,300             | 33        |
| Federal Income Taxes                          | 222,725          | 2,560            | (238,769)        | (301,361)        | (31,943)          | 34        |
| Provision - Def. Operating Income Taxes - Net | (296,320)        | (23,911)         | 151,815          | 192,492          | 26,576            | 35        |
| <b>Net Operating Income</b>                   | <b>\$62,408</b>  | <b>\$171,427</b> | <b>\$54,033</b>  | <b>\$41,321</b>  | <b>(\$50,724)</b> | <b>36</b> |

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

|   | 2006        | 2005          | 2004          | 2003        | 2002        |
|---|-------------|---------------|---------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                  | \$62,408    | \$171,427     | \$54,033      | \$41,321    | (\$50,724)  |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>      |             |               |               |             |             |
| 38 Dividend Income                              |             |               |               |             | 16          |
| 39 Interest Income                              | 237         |               | 272           |             |             |
| 40 Income - Sinking and Other Funds             |             |               |               |             |             |
| 41 Allowance for Funds Used During Construction |             | 3,527         | 47,250        |             |             |
| 42 Gains/Losses - Disposal of Property          |             |               |               |             |             |
| 43 Equity in Earnings of Affiliated Companies   | (218,405)   | (1,520,765)   | (1,234,812)   | (83,111)    | (59,709)    |
| 44 Other Non-Operating Income                   | 629,000     |               |               |             |             |
| 45 Special Charges                              | 672,865     | 15,083        | 17,519        | 25,600      | 17,035      |
| 46 Total Non-Operating Income & Expenses        | (262,034)   | (1,532,321)   | (1,204,809)   | (108,711)   | (76,728)    |
| <b>NON-OPERATING TAXES</b>                      |             |               |               |             |             |
| 47 Federal Income Taxes                         | (12,265)    | (2,560)       | (3,295)       | (4,848)     | (5,792)     |
| 48 Other  |             |               |               |             |             |
| 49 Total Non-Operating Taxes                    | (12,265)    | (2,560)       | (3,295)       | (4,848)     | (5,792)     |
| 50 Income Available Before Interest Charges     | (187,361)   | (1,358,334)   | (1,147,481)   | (62,542)    | (121,661)   |
| <b>INTEREST CHARGES</b>                         |             |               |               |             |             |
| 51 Interest on Funded Debt                      | 199,694     | 203,990       | 205,665       | 191,828     | 167,708     |
| 52 Other Interest Expense                       | 316         | 676           | 1,657         | 486         | 436         |
| 53 Total Interest Charges                       | 200,010     | 204,666       | 207,321       | 192,313     | 168,143     |
| 54 Income Before Extraordinary & Nonreg Items   | (387,371)   | (1,562,999)   | (1,354,802)   | (254,855)   | (289,804)   |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>         |             |               |               |             |             |
| 55 Extraordinary Items                          |             |               |               |             |             |
| 56 Nonregulated Revenues                        |             |               |               |             |             |
| 57 Total Extraordinary & Nonregulated Items     |             |               |               |             |             |
| 58 <b>Net Income</b>                            | (\$387,371) | (\$1,562,999) | (\$1,354,802) | (\$254,855) | (\$289,804) |

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**RETAINED EARNINGS STATEMENT**

|   |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$4,700,942 | \$4,633,245 | \$4,753,235 | \$4,924,979 | \$5,155,074 |
| 60 Transferred from Income                          | (168,966)   | (42,234)    | (119,990)   | (171,744)   | (230,095)   |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     |             |             |             |             |             |
| 64 Adjustments (1)                                  |             | (109,931)   |             |             |             |
| 65 Ending Year Balance                              | 4,531,976   | 4,700,943   | 4,633,245   | 4,753,235   | 4,924,979   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | (3,663,646) | (3,445,241) | (1,924,476) | (689,664)   | (606,554)   |
| 67 <b>Total Retained Earnings</b>                   | \$868,330   | \$1,255,702 | \$2,708,769 | \$4,063,571 | \$4,318,425 |

(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,**

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$4,314,475  | \$2,308,855  | \$1,636,333  | \$900,494    | \$362,375    |
| 2 Accounts Receivable (Net)               | 1,558,425    | 1,916,529    | 2,003,070    | 2,134,961    | 2,390,725    |
| 3 Current Deferred Income Taxes           | 2,751        | 9,227        | 6,452        | 4,379        | 2,035        |
| 4 Other Current Assets                    | 193,760      | 299,946      | 231,725      | 300,810      | 465,228      |
| 5 Total Current Assets                    | 6,069,410    | 4,534,557    | 3,877,581    | 3,340,644    | 3,220,363    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 651,046      | 1,284,669    | 1,179,024    | 3,201,856    | 5,487,413    |
| 7 Unamortized Debt Issuance Costs         | 3,936        | 4,674        | 5,412        | 6,027        | 6,765        |
| 8 Deferred Charges                        |              |              |              |              |              |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 793,346      | 241,137      | 225,043      | 138,693      | 162,400      |
| 11 Other Non-Current Assets               | 292,392      | 249,039      | 342,691      | 447,220      | 137,436      |
| 12 Total Non-Current Assets               | 1,740,721    | 1,779,519    | 1,752,170    | 3,793,796    | 5,794,014    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 13,153,512   | 11,807,528   | 11,832,892   | 11,940,936   | 11,816,046   |
| 14 Less: Accumulated Depr and Amort.      | 7,501,545    | 7,008,004    | 6,545,698    | 6,176,990    | 5,630,388    |
| 15 Net Regulated Plant                    | 5,651,967    | 4,799,524    | 5,287,194    | 5,763,946    | 6,185,658    |
| 16 Total Assets & Other Debits            | \$13,462,098 | \$11,113,600 | \$10,916,945 | \$12,898,386 | \$15,200,035 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | 598,092      | \$136,362    | \$128,903    | \$155,064    | \$206,965    |
| 18 Notes Payable                          |              |              |              | 20,919       | 27,354       |
| 19 Advanced Billings                      |              |              |              |              |              |
| 20 Customer Deposits                      |              |              |              |              |              |
| 21 Current Maturities - Long-Term Debt    |              |              |              |              |              |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 366,726      | 679,776      | 453,081      | 552,744      | 449,360      |
| 24 Total Current Liabilities              | 964,818      | 816,138      | 581,984      | 728,727      | 683,679      |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 994,030      | 1,134,278    | 1,264,526    | 1,385,387    | 1,497,550    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              | 8,019        |
| 27 Non-Current Deferred Taxes             | 757,352      | 851,815      | 929,725      | 806,188      | 798,851      |
| 28 Other Deferred Credits                 | 1,775,879    | 55,621       | 47,460       | 41,361       | 44,294       |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 492,368      | 431,243      | 408,752      | 407,920      | 465,500      |
| 31 Total Other Liab. and Def. Credits     | 3,025,599    | 1,338,678    | 1,385,937    | 1,255,469    | 1,316,664    |
| <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                  |              |              |              |              |              |
| 35 Retained Earnings                      | 8,367,651    | 7,714,506    | 7,574,497    | 9,418,803    | 11,592,142   |
| 36 Total Stockholder's Equity             | 8,477,651    | 7,824,506    | 7,684,497    | 9,528,803    | 11,702,142   |
| 37 Total Liab. and Stockholder's Equity   | \$13,462,098 | \$11,113,600 | \$10,916,945 | \$12,898,386 | \$15,200,035 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$972,861        | \$961,872        | \$966,088        | \$927,509        | \$974,823        | 1         |
| Network Access Services                       | 2,405,024        | 2,599,061        | 2,729,693        | 2,789,931        | 2,622,774        | 2         |
| Long Distance Network Services                | 5,383            | 5,184            | 5,563            | 9,959            | 7,882            | 3         |
| Miscellaneous Revenues                        | 439,723          | 490,386          | 571,086          | 548,940          | 499,812          | 4         |
| Less: Uncollectible Revenues                  | 3,500            | 40,075           | 4,435            | 68,600           | 23,100           | 5         |
| <b>Total Operating Revenues</b>               | <b>3,819,491</b> | <b>4,016,427</b> | <b>4,267,995</b> | <b>4,207,739</b> | <b>4,082,191</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 92               |                  | 2,794            | 99               |                  | 7         |
| General Support Expenses                      | 207,133          | 183,192          | 238,133          | 225,666          | 211,799          | 8         |
| Central Office Switching                      | 173,627          | 137,455          | 169,026          | 210,425          | 151,791          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 61,284           | 52,768           | 40,920           | 57,955           | 49,070           | 11        |
| Info. Origination/Termination                 | 26,355           | 35,879           | 60,876           | 58,797           | 82,641           | 12        |
| Cable & Wire Facilities                       | 245,279          | 278,324          | 242,563          | 275,486          | 266,041          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>713,769</b>   | <b>687,617</b>   | <b>754,312</b>   | <b>828,428</b>   | <b>761,342</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | (198)            |                  | 5,587            |                  |                  | 15        |
| Network Operations                            | 338,251          | 238,667          | 186,947          | 262,205          | 158,096          | 16        |
| Access Expense                                | 62,817           | 64,545           | 42,371           | 47,864           | 34,307           | 17        |
| Depreciation and Amortization                 | 681,327          | 690,534          | 659,555          | 672,576          | 646,310          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,082,196</b> | <b>993,746</b>   | <b>894,460</b>   | <b>982,645</b>   | <b>838,713</b>   | <b>19</b> |
| Marketing Expense                             | 24,658           | 23,162           | 37,987           | 10,026           | 24,526           | 20        |
| Services Expense                              | 467,540          | 572,991          | 614,477          | 576,446          | 652,640          | 21        |
| <b>Total Customer Operations</b>              | <b>492,198</b>   | <b>596,153</b>   | <b>652,464</b>   | <b>586,472</b>   | <b>677,166</b>   | <b>22</b> |
| Executive & Planning                          | 379,303          | 516,329          | 580,367          | 307,009          | 356,796          | 23        |
| General & Administrative                      | 593,180          | 755,758          | 638,437          | 949,053          | 851,265          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>972,482</b>   | <b>1,272,087</b> | <b>1,218,804</b> | <b>1,256,062</b> | <b>1,208,061</b> | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>3,260,646</b> | <b>3,549,603</b> | <b>3,520,040</b> | <b>3,653,607</b> | <b>3,485,282</b> | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  |                  |                  |                  | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 213,259          | 215,294          | 219,612          | 210,008          | 194,291          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>345,586</b>   | <b>251,530</b>   | <b>528,343</b>   | <b>344,124</b>   | <b>402,618</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                  | 8,019            | 6,925            | 33        |
| Federal Income Taxes                          | 126,608          | 155,041          | 110,608          | 48,781           | 46,983           | 34        |
| Provision - Def. Operating Income Taxes - Net | (48,832)         | (96,781)         | 35,113           | 18,874           | 25,968           | 35        |
| <b>Net Operating Income</b>                   | <b>\$267,810</b> | <b>\$193,270</b> | <b>\$382,622</b> | <b>\$284,488</b> | <b>\$336,592</b> | <b>36</b> |

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

|   | 2006               | 2005               | 2004                 | 2003                 | 2002                |
|---|--------------------|--------------------|----------------------|----------------------|---------------------|
| 37 <b>Net Operating Income</b>                      | \$267,810          | \$193,270          | \$382,622            | \$284,488            | \$336,592           |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |                    |                    |                      |                      |                     |
| 38 Dividend Income                                  | 6                  | 565                | 254                  |                      | 912                 |
| 39 Interest Income                                  | 158,747            | 38,709             | 20,286               | 30,707               | 29,342              |
| 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       | 82,754             | 105,646            | (1,788,832)          | (2,275,557)          | 2,642,915           |
| 44 Other Non-Operating Income                       | 728,806            | 38,627             | (302,836)            | 45,694               | (6,243)             |
| 45 Special Charges                                  | 19,931             | (13,488)           | 18,118               | (14,438)             | 31,794              |
| 46 Total Non-Operating Income & Expenses            | 950,382            | 197,035            | (2,089,246)          | (2,184,718)          | 2,635,132           |
| <b>NON-OPERATING TAXES</b>                          |                    |                    |                      |                      |                     |
| 47 Federal Income Taxes                             | 246,908            | 20,353             | (102,547)            | 21,251               | 10,039              |
| 48 Other  | 70,063             |                    |                      |                      |                     |
| 49 Total Non-Operating Taxes                        | 316,971            | 20,353             | (102,547)            | 21,251               | 10,039              |
| 50 Income Available Before Interest Charges         | 901,221            | 369,952            | (1,604,077)          | (1,921,481)          | 2,961,685           |
| <b>INTEREST CHARGES</b>                             |                    |                    |                      |                      |                     |
| 51 Interest on Funded Debt                          | 80,185             | 90,252             | 99,697               | 108,451              | 116,571             |
| 52 Other Interest Expense                           | 29,290             | 1,091              | 1,932                | 4,807                | 866                 |
| 53 Total Interest Charges                           | 109,475            | 91,343             | 101,629              | 113,258              | 117,437             |
| 54 Income Before Extraordinary & Nonreg Items       | 791,746            | 278,609            | (1,705,706)          | (2,034,739)          | 2,844,248           |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |                    |                    |                      |                      |                     |
| 55 Extraordinary Items                              |                    |                    |                      |                      |                     |
| 56 Nonregulated Revenues                            |                    |                    |                      |                      |                     |
| 57 Total Extraordinary & Nonregulated Items         |                    |                    |                      |                      |                     |
| 58 <b>Net Income</b>                                | <b>\$791,746</b>   | <b>\$278,609</b>   | <b>(\$1,705,706)</b> | <b>(\$2,034,739)</b> | <b>\$2,844,248</b>  |
| <b>RETAINED EARNINGS STATEMENT</b>                  |                    |                    |                      |                      |                     |
| Unappropriated Retained Earnings:                   |                    |                    |                      |                      |                     |
| 59 Beginning Year Balance                           | \$9,686,162        | \$9,651,800        | \$9,707,273          | \$9,605,055          | \$9,502,722         |
| 60 Transferred from Income                          | 708,992            | 172,963            | 83,126               | 240,818              | 201,333             |
| 61 Appropriations                                   |                    |                    |                      |                      |                     |
| Dividends Declared:                                 |                    |                    |                      |                      |                     |
| 62 Preferred Stock                                  |                    |                    |                      |                      |                     |
| 63 Common Stock                                     | 138,600            | 138,600            | 138,600              | 138,600              | 99,000              |
| 64 Adjustments                                      |                    |                    |                      |                      |                     |
| 65 Ending Year Balance                              | 10,256,554         | 9,686,163          | 9,651,800            | 9,707,273            | 9,605,055           |
| 66 Appropriated/Undistr Affiliate Retained Earnings | (1,888,903)        | (1,971,657)        | (2,077,303)          | (288,471)            | 1,987,086           |
| 67 <b>Total Retained Earnings</b>                   | <b>\$8,367,651</b> | <b>\$7,714,506</b> | <b>\$7,574,497</b>   | <b>\$9,418,802</b>   | <b>\$11,592,141</b> |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$137,964    | \$228,663    | \$9,049,139  | \$8,313,726  | \$8,315,682  |
| 2 Accounts Receivable (Net)               | 1,332,115    | 1,477,055    | 1,514,922    | 1,011,088    | 1,371,840    |
| 3 Current Deferred Income Taxes           |              |              |              |              |              |
| 4 Other Current Assets                    | 320,875      | 313,048      | 307,841      | 307,904      | 256,963      |
| 5 Total Current Assets                    | 1,790,954    | 2,018,766    | 10,871,902   | 9,632,718    | 9,944,485    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             |              |              |              |              |              |
| 7 Unamortized Debt Issuance Costs         |              |              |              |              |              |
| 8 Deferred Charges                        |              |              | 54,665       | 1,619        | 204,542      |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      |              |              |              |              |              |
| 11 Other Non-Current Assets               |              |              |              |              | 58,284       |
| 12 Total Non-Current Assets               |              |              | 54,665       | 1,619        | 262,826      |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 22,610,802   | 21,605,234   | 21,109,361   | 20,609,950   | 19,799,940   |
| 14 Less: Accumulated Depr and Amort.      | 13,841,774   | 13,106,371   | 12,350,840   | 11,683,020   | 10,701,427   |
| 15 Net Regulated Plant                    | 8,769,028    | 8,498,863    | 8,758,521    | 8,926,930    | 9,098,514    |
| 16 Total Assets & Other Debits            | \$10,559,982 | \$10,517,629 | \$19,685,088 | \$18,561,267 | \$19,305,825 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | 766,919      | \$748,172    | \$923,249    | \$655,168    | \$682,055    |
| 18 Notes Payable                          |              |              |              |              |              |
| 19 Advanced Billings                      | 154,486      | 124,236      | 144,490      | 157,342      | 151,708      |
| 20 Customer Deposits                      |              |              | 567          | 567          | 608          |
| 21 Current Maturities - Long-Term Debt    |              |              |              |              |              |
| 22 Current Deferred Income Taxes          | (7,700)      | (6,965)      | (7,245)      | (4,900)      |              |
| 23 Other Current Liabilities              | 170,309      | 120,341      | 177,490      | 192,422      | 210,430      |
| 24 Total Current Liabilities              | 1,084,014    | 985,784      | 1,238,551    | 1,000,599    | 1,044,801    |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 11,860       | 5,757        | 2,035        | 25,067       | 41,496       |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              |              |
| 27 Non-Current Deferred Taxes             | 1,617,982    | 1,686,085    | 1,815,509    | 1,427,915    | 1,675,623    |
| 28 Other Deferred Credits                 | 891,290      | 1,027,715    | 1,116,458    | 1,229,042    | 1,328,609    |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 176,783      | 90,776       | 102,291      | 148,066      | 90,973       |
| 31 Total Other Liab. and Def. Credits     | 2,686,055    | 2,804,576    | 3,034,258    | 2,805,023    | 3,095,204    |
| <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                  | (26,818)     | 33,398       | 33,398       | 33,398       | 33,398       |
| 35 Retained Earnings                      | 6,482,621    | 6,365,864    | 15,054,596   | 14,374,930   | 14,768,676   |
| 36 Total Stockholder's Equity             | 6,778,053    | 6,721,512    | 15,410,244   | 14,730,578   | 15,124,324   |
| 37 Total Liab. and Stockholder's Equity   | \$10,559,982 | \$10,517,629 | \$19,685,088 | \$18,561,267 | \$19,305,825 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$2,139,268      | \$2,140,730      | \$2,137,240      | \$2,013,717      | \$2,018,467      | 1         |
| Network Access Services                       | 3,119,434        | 3,217,089        | 3,322,549        | 3,246,758        | 3,288,372        | 2         |
| Long Distance Network Services                | 502              | 658              | 595              | 693              | 1,370            | 3         |
| Miscellaneous Revenues                        | 1,011,013        | 948,709          | 954,068          | 949,312          | 985,957          | 4         |
| Less: Uncollectible Revenues                  | 22,916           | 28,334           | (15,426)         | 26,374           | 99,430           | 5         |
| <b>Total Operating Revenues</b>               | <b>6,247,301</b> | <b>6,278,852</b> | <b>6,429,878</b> | <b>6,184,106</b> | <b>6,194,736</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 31,218           | 29,160           | 23,437           | 23,569           | 17,340           | 7         |
| General Support Expenses                      | 45,795           | 57,691           | 59,968           | 60,787           | 52,809           | 8         |
| Central Office Switching                      | 232,325          | 191,687          | 157,686          | 125,635          | 100,764          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 302,945          | 194,957          | 65,520           | 77,880           | 73,756           | 11        |
| Info. Origination/Termination                 | 400,674          | 329,273          | 417,501          | 428,807          | 311,264          | 12        |
| Cable & Wire Facilities                       | 387,724          | 349,227          | 310,125          | 339,000          | 412,753          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>1,400,681</b> | <b>1,151,995</b> | <b>1,034,237</b> | <b>1,055,678</b> | <b>968,686</b>   | <b>14</b> |
| Other Plant, Property & Equipment             |                  |                  |                  |                  |                  | 15        |
| Network Operations                            | 713,051          | 804,985          | 684,798          | 700,130          | 657,644          | 16        |
| Access Expense                                | 150,401          | 144,756          | 121,652          | 84,938           | 49,608           | 17        |
| Depreciation and Amortization                 | 1,270,174        | 1,185,691        | 1,113,659        | 1,393,947        | 1,348,466        | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>2,133,626</b> | <b>2,135,432</b> | <b>1,920,109</b> | <b>2,179,015</b> | <b>2,055,718</b> | <b>19</b> |
| Marketing Expense                             | 397,005          | 433,606          | 447,634          | 371,906          | 348,629          | 20        |
| Services Expense                              | 625,284          | 792,189          | 772,421          | 810,263          | 906,307          | 21        |
| <b>Total Customer Operations</b>              | <b>1,022,289</b> | <b>1,225,795</b> | <b>1,220,055</b> | <b>1,182,169</b> | <b>1,254,936</b> | <b>22</b> |
| Executive & Planning                          | 218,947          | 133,198          | 141,926          | 134,005          | 128,737          | 23        |
| General & Administrative                      | 1,082,220        | 1,022,164        | 935,706          | 1,049,558        | 899,185          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>1,301,167</b> | <b>1,155,362</b> | <b>1,077,632</b> | <b>1,183,563</b> | <b>1,027,922</b> | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>5,857,763</b> | <b>5,668,584</b> | <b>5,252,033</b> | <b>5,600,425</b> | <b>5,307,262</b> | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  | 205              |                  |                  | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 226,678          | 230,638          | 235,705          | 230,751          | 322,968          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>162,860</b>   | <b>379,630</b>   | <b>942,345</b>   | <b>352,930</b>   | <b>564,505</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                  |                  |                  | 33        |
| Federal Income Taxes                          | 85,962           | 251,582          | (30,464)         | 269,316          | 219,689          | 34        |
| Provision - Def. Operating Income Taxes - Net | (27,700)         | (129,146)        | 385,249          | (48,064)         | 33,499           | 35        |
| <b>Net Operating Income</b>                   | <b>\$104,598</b> | <b>\$257,194</b> | <b>\$587,560</b> | <b>\$131,678</b> | <b>\$311,317</b> | <b>36</b> |

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

|   | 2006        | 2005         | 2004         | 2003         | 2002         |
|---|-------------|--------------|--------------|--------------|--------------|
| 37 <b>Net Operating Income</b>                      | \$104,598   | \$257,194    | \$587,560    | \$131,678    | \$311,317    |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |              |              |              |              |
| 38 Dividend Income                                  |             |              |              |              |              |
| 39 Interest Income                                  | 25,919      | 280,330      | 129,903      | 85,739       | 159,918      |
| 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                       | (764)       |              | (34)         |              |              |
| 45 Special Charges                                  | 5,918       | 6,414        | 5,864        | 4,948        | 6,064        |
| 46 Total Non-Operating Income & Expenses            | 19,237      | 273,916      | 124,005      | 80,791       | 153,854      |
| <b>NON-OPERATING TAXES</b>                          |             |              |              |              |              |
| 47 Federal Income Taxes                             | 6,644       | 68,459       | 30,230       | 29,561       | 53,828       |
| 48 Other  |             |              |              |              |              |
| 49 Total Non-Operating Taxes                        | 6,644       | 68,459       | 30,230       | 29,561       | 53,828       |
| 50 Income Available Before Interest Charges         | 117,191     | 462,651      | 681,335      | 182,908      | 411,344      |
| <b>INTEREST CHARGES</b>                             |             |              |              |              |              |
| 51 Interest on Funded Debt                          |             |              |              |              |              |
| 52 Other Interest Expense                           | 434         | 3,383        | 1,669        | 1,654        | 163          |
| 53 Total Interest Charges                           | 434         | 3,383        | 1,669        | 1,654        | 163          |
| 54 Income Before Extraordinary & Nonreg Items       | 116,757     | 459,268      | 679,666      | 181,254      | 411,181      |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |              |              |              |              |
| 55 Extraordinary Items                              |             |              |              |              |              |
| 56 Nonregulated Revenues                            |             |              |              |              |              |
| 57 Total Extraordinary & Nonregulated Items         |             |              |              |              |              |
| 58 <b>Net Income</b>                                | \$116,757   | \$459,268    | \$679,666    | \$181,254    | \$411,181    |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |              |              |              |              |
| Unappropriated Retained Earnings:                   |             |              |              |              |              |
| 59 Beginning Year Balance                           | \$6,365,864 | \$15,054,596 | \$14,374,931 | \$14,768,677 | \$14,932,497 |
| 60 Transferred from Income                          | 116,757     | 459,268      | 679,666      | 181,254      | 411,181      |
| 61 Appropriations                                   |             |              |              |              |              |
| Dividends Declared:                                 |             |              |              |              |              |
| 62 Preferred Stock                                  |             |              |              |              |              |
| 63 Common Stock                                     |             | 9,148,000    |              | 575,000      | 575,000      |
| 64 Adjustments                                      |             |              |              |              |              |
| 65 Ending Year Balance                              | 6,482,621   | 6,365,864    | 15,054,597   | 14,374,931   | 14,768,677   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |             |              |              |              |              |
| 67 <b>Total Retained Earnings</b>                   | \$6,482,621 | \$6,365,864  | \$15,054,597 | \$14,374,931 | \$14,768,677 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$2,267,270  | \$170,551    | \$351,998    | \$511,858    | \$877,647    |
| 2 Accounts Receivable (Net)               | 389,765      | 632,474      | 634,065      | 1,022,285    | 890,349      |
| 3 Current Deferred Income Taxes           | 15,110       | 13,071       | 11,054       | 9,019        | 7,087        |
| 4 Other Current Assets                    | 1,580,260    | 1,532,891    | 1,807,830    | 1,697,894    | 1,958,306    |
| 5 Total Current Assets                    | 4,252,405    | 2,348,987    | 2,804,947    | 3,241,056    | 3,733,389    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 2,801,877    | 2,898,900    | 3,110,716    | 3,356,626    | 3,111,788    |
| 7 Unamortized Debt Issuance Costs         | 3,669        | 4,126        | 4,583        | 5,041        | 5,498        |
| 8 Deferred Charges                        |              |              |              |              |              |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 768,504      | 727,677      | 701,753      | 663,498      | 191,537      |
| 11 Other Non-Current Assets               | 64,261       | 64,261       | 64,261       |              | 375,089      |
| 12 Total Non-Current Assets               | 3,638,311    | 3,694,964    | 3,881,313    | 4,025,165    | 3,683,912    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 17,802,265   | 17,263,601   | 17,133,514   | 18,134,149   | 17,800,796   |
| 14 Less: Accumulated Depr and Amort.      | 12,479,874   | 11,217,985   | 10,464,260   | 10,991,817   | 10,110,233   |
| 15 Net Regulated Plant                    | 5,322,391    | 6,045,616    | 6,669,254    | 7,142,332    | 7,690,563    |
| 16 Total Assets & Other Debits            | \$13,213,107 | \$12,089,567 | \$13,355,514 | \$14,408,553 | \$15,107,864 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | 266,662      | \$201,915    | \$135,757    | \$556,604    | \$561,545    |
| 18 Notes Payable                          | 1,692,027    | 1,717,727    | 2,137,027    | 2,336,277    | 2,477,348    |
| 19 Advanced Billings                      | 46,990       | 56,590       | 99,919       | 75,790       | 85,390       |
| 20 Customer Deposits                      | 11,783       | 22,692       | 23,776       | 30,645       | 34,318       |
| 21 Current Maturities - Long-Term Debt    | 195,064      | 183,376      | 182,494      | 203,932      | 239,354      |
| 22 Current Deferred Income Taxes          | 2,495        | 150          |              |              |              |
| 23 Other Current Liabilities              | 688,571      | 1,101,414    | 590,368      | 798,574      | 793,348      |
| 24 Total Current Liabilities              | 2,903,592    | 3,283,864    | 3,169,341    | 4,001,822    | 4,191,303    |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 1,545,384    | 1,739,456    | 1,918,763    | 1,959,212    | 2,167,987    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              | 1,926        | 5,823        | 10,903       |
| 27 Non-Current Deferred Taxes             | 406,023      | 1,140,236    | 1,301,706    | 1,258,776    | 1,198,384    |
| 28 Other Deferred Credits                 | 230,836      | 224,836      | 219,958      | 215,921      | 212,381      |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 2,538,612    | 600,010      | 584,488      | 597,243      | 735,755      |
| 31 Total Other Liab. and Def. Credits     | 3,175,471    | 1,965,082    | 2,108,078    | 2,077,763    | 2,157,423    |
| <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                      | 4,968,685    | 4,481,190    | 5,539,357    | 5,749,781    | 5,971,176    |
| 36 Total Stockholder's Equity             | 5,588,660    | 5,101,165    | 6,159,332    | 6,369,756    | 6,591,151    |
| 37 Total Liab. and Stockholder's Equity   | \$13,213,107 | \$12,089,567 | \$13,355,514 | \$14,408,553 | \$15,107,864 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>        | <b>2005</b>        | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|--------------------|--------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                    |                    |                  |                  |                  |           |
| Local Network Services                        | \$2,140,353        | \$2,214,508        | \$2,412,793      | \$2,463,006      | \$2,519,583      | 1         |
| Network Access Services                       | 3,703,534          | 4,118,433          | 4,408,160        | 4,221,658        | 4,620,679        | 2         |
| Long Distance Network Services                | 8,709              | 11,246             | 16,189           | 29,388           | 20,736           | 3         |
| Miscellaneous Revenues                        | 861,381            | 852,852            | 846,142          | 986,177          | 960,093          | 4         |
| Less: Uncollectible Revenues                  | 13,848             | (11,644)           | (7,232)          | 23,688           | 13,092           | 5         |
| <b>Total Operating Revenues</b>               | <b>6,700,129</b>   | <b>7,208,683</b>   | <b>7,690,516</b> | <b>7,676,541</b> | <b>8,107,999</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                    |                    |                  |                  |                  |           |
| Network Support Expenses                      | 58,532             | 43,976             | 34,194           | 36,039           | 41,589           | 7         |
| General Support Expenses                      | 685,732            | 631,241            | 581,693          | 607,972          | 648,820          | 8         |
| Central Office Switching                      | 118,359            | 90,070             | 168,566          | 245,780          | 222,567          | 9         |
| Operator Systems Expense                      |                    |                    |                  |                  |                  | 10        |
| Central Office Transmission                   | 216,203            | 167,113            | 148,941          | 163,598          | 145,725          | 11        |
| Info. Origination/Termination                 |                    |                    |                  |                  |                  | 12        |
| Cable & Wire Facilities                       | 138,182            | 168,876            | 138,844          | 151,196          | 197,318          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>1,217,008</b>   | <b>1,101,276</b>   | <b>1,072,238</b> | <b>1,204,585</b> | <b>1,256,019</b> | <b>14</b> |
| Other Plant, Property & Equipment             | 15,689             | 91,128             | 41,958           | 73,871           | 15,408           | 15        |
| Network Operations                            | 271,027            | 307,366            | 282,263          | 265,784          | 249,831          | 16        |
| Access Expense                                | 65,064             | 79,909             | 73,953           | 69,345           | 48,544           | 17        |
| Depreciation and Amortization                 | 1,254,787          | 1,239,989          | 1,322,917        | 1,277,911        | 1,233,384        | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,606,567</b>   | <b>1,718,392</b>   | <b>1,721,091</b> | <b>1,686,911</b> | <b>1,547,167</b> | <b>19</b> |
| Marketing Expense                             | 329,170            | 259,309            | 244,589          | 273,427          | 301,572          | 20        |
| Services Expense                              | 810,070            | 865,800            | 920,241          | 955,714          | 918,679          | 21        |
| <b>Total Customer Operations</b>              | <b>1,139,240</b>   | <b>1,125,109</b>   | <b>1,164,831</b> | <b>1,229,141</b> | <b>1,220,251</b> | <b>22</b> |
| Executive & Planning                          | 1,809,106          | 2,006,590          | 2,053,595        | 1,894,320        | 1,687,113        | 23        |
| General & Administrative                      | 1,266,873          | 1,443,159          | 1,258,028        | 1,009,568        | 1,313,167        | 24        |
| Provision - Uncollectible Notes Rec.          |                    |                    |                  |                  |                  | 25        |
| Other   |                    |                    |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>3,075,979</b>   | <b>3,449,749</b>   | <b>3,311,623</b> | <b>2,903,888</b> | <b>3,000,280</b> | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>7,038,794</b>   | <b>7,394,526</b>   | <b>7,269,783</b> | <b>7,024,525</b> | <b>7,023,717</b> | <b>28</b> |
| Other Operating Income & Expenses             | 2,720              | 1,593              | 20,346           | 5,078            | (558)            | 29        |
| State & Local Income Taxes                    |                    | 142                |                  |                  | 133              | 30        |
| Other Taxes                                   | 363,389            | 377,041            | 374,055          | 353,379          | 321,004          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(699,334)</b>   | <b>(561,433)</b>   | <b>67,024</b>    | <b>303,715</b>   | <b>762,587</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                    | 1,926              | 3,897            | 5,080            | 4,238            | 33        |
| Federal Income Taxes                          | (128,306)          | (126,762)          | (24,373)         | 35,231           | 182,507          | 34        |
| Provision - Def. Operating Income Taxes - Net | (213,767)          | (190,465)          | 116              | (5,627)          | 46,336           | 35        |
| <b>Net Operating Income</b>                   | <b>(\$357,261)</b> | <b>(\$242,280)</b> | <b>\$95,178</b>  | <b>\$279,191</b> | <b>\$537,982</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | (\$357,261) | (\$242,280) | \$95,178    | \$279,191   | \$537,982   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  | 844         | 4,548       | 91          | 58          | 30,757      |
| 39 Interest Income                                  | 76,545      | 13,837      | 3,829       | 6,733       | 14,905      |
| 40 Income - Sinking and Other Funds                 |             |             |             |             |             |
| 41 Allowance for Funds Used During Construction     | 3,268       | 2,376       | 29,137      | 5,555       |             |
| 42 Gains/Losses - Disposal of Property              |             |             |             |             |             |
| 43 Equity in Earnings of Affiliated Companies       | 161,892     | 172,574     | 277,498     | 287,314     | 57,301      |
| 44 Other Non-Operating Income                       | (17,366)    | (17,366)    | (17,366)    | (19,231)    | (17,366)    |
| 45 Special Charges                                  | 17,109      | 76,681      | 55,099      | 71,870      | 70,443      |
| 46 Total Non-Operating Income & Expenses            | 208,074     | 99,288      | 238,090     | 208,559     | 15,154      |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | (335,469)   |             |             |             |             |
| 48 Other  |             |             |             |             |             |
| 49 Total Non-Operating Taxes                        | (335,469)   |             |             |             |             |
| 50 Income Available Before Interest Charges         | 186,282     | (142,992)   | 333,268     | 487,750     | 553,136     |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          | 110,719     | 50,856      | 67,420      | 102,623     | 147,795     |
| 52 Other Interest Expense                           | 171,209     | 140,413     | 107,081     | 93,918      | 114,640     |
| 53 Total Interest Charges                           | 281,928     | 191,269     | 174,501     | 196,541     | 262,435     |
| 54 Income Before Extraordinary & Nonreg Items       | (95,646)    | (334,261)   | 158,767     | 291,209     | 290,701     |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              | 621,836     |             |             |             |             |
| 56 Nonregulated Revenues                            | (43,246)    | (48,614)    | (122,798)   | (27,187)    | 45,642      |
| 57 Total Extraordinary & Nonregulated Items         | 578,590     | (48,614)    | (122,798)   | (27,187)    | 45,642      |
| 58 <b>Net Income</b>                                | \$482,944   | (\$382,875) | \$35,969    | \$264,022   | \$336,343   |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$736,416   | \$1,967,157 | \$2,455,077 | \$2,963,786 | \$3,464,989 |
| 60 Transferred from Income                          | 321,052     | (555,449)   | (241,529)   | (23,292)    | 279,042     |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     |             | 675,584     | 246,393     | 485,417     | 780,245     |
| 64 Adjustments                                      | (4,551)     | (292)       |             |             |             |
| 65 Ending Year Balance                              | 1,062,019   | 736,416     | 1,967,155   | 2,455,077   | 2,963,786   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 3,906,666   | 3,744,774   | 3,572,200   | 3,294,702   | 3,007,388   |
| 67 <b>Total Retained Earnings</b>                   | \$4,968,685 | \$4,481,190 | \$5,539,355 | \$5,749,779 | \$5,971,174 |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$1,082,726 | \$351,242   | \$4,454,283 | \$3,997,257 | \$4,047,278 |
| 2 Accounts Receivable (Net)               | 401,226     | 487,486     | 621,727     | 413,603     | 437,389     |
| 3 Current Deferred Income Taxes           |             |             |             |             |             |
| 4 Other Current Assets                    | 104,170     | 93,159      | 105,474     | 124,687     | 79,512      |
| 5 Total Current Assets                    | 1,588,122   | 931,887     | 5,181,484   | 4,535,547   | 4,564,179   |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             |             | 53,755      | 95,900      | 95,900      | 95,900      |
| 7 Unamortized Debt Issuance Costs         |             |             | 1,020       | 1,166       | 1,312       |
| 8 Deferred Charges                        |             |             |             |             |             |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      |             |             |             |             |             |
| 11 Other Non-Current Assets               |             |             |             |             |             |
| 12 Total Non-Current Assets               |             | 53,755      | 96,920      | 97,066      | 97,212      |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 10,949,455  | 10,314,033  | 10,501,591  | 10,546,349  | 10,581,617  |
| 14 Less: Accumulated Depr and Amort.      | 7,310,042   | 6,811,778   | 6,474,050   | 6,536,489   | 6,317,175   |
| 15 Net Regulated Plant                    | 3,639,413   | 3,502,255   | 4,027,541   | 4,009,860   | 4,264,442   |
| 16 Total Assets & Other Debits            | \$5,227,535 | \$4,487,897 | \$9,305,945 | \$8,642,473 | \$8,925,833 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | \$184,011   | \$225,306   | \$345,255   | \$180,913   | \$233,178   |
| 18 Notes Payable                          |             |             |             |             |             |
| 19 Advanced Billings                      | 12,801      | 9,264       | 9,873       | 10,167      | 9,865       |
| 20 Customer Deposits                      |             |             |             |             |             |
| 21 Current Maturities - Long-Term Debt    | 9,322       |             | 105,784     | 100,299     | 95,101      |
| 22 Current Deferred Income Taxes          | (3,045)     | (1,155)     | (1,890)     | (1,995)     |             |
| 23 Other Current Liabilities              | 31,790      | 55,234      | 80,730      | 58,239      | 54,302      |
| 24 Total Current Liabilities              | 234,879     | 288,649     | 539,752     | 347,623     | 392,446     |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         | 17,090      |             | 1,488,712   | 1,595,024   | 1,695,837   |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        |             |             |             |             |             |
| 27 Non-Current Deferred Taxes             | 157,588     | 378,778     | 412,928     | 374,851     | 296,764     |
| 28 Other Deferred Credits                 | 2,430,166   | 1,735,149   | 1,736,560   | 1,428,155   | 1,393,840   |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      | 52,793      | 94,272      | 98,093      | 106,543     | 93,690      |
| 31 Total Other Liab. and Def. Credits     | 2,640,547   | 2,208,199   | 2,247,581   | 1,909,549   | 1,784,294   |
| <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                  | (2,677)     | 25,215      | 25,215      | 25,215      | 25,215      |
| 35 Retained Earnings                      | 2,270,096   | 1,898,234   | 4,937,085   | 4,697,462   | 4,960,441   |
| 36 Total Stockholder's Equity             | 2,335,019   | 1,991,049   | 5,029,900   | 4,790,277   | 5,053,256   |
| 37 Total Liab. and Stockholder's Equity   | \$5,227,535 | \$4,487,897 | \$9,305,945 | \$8,642,473 | \$8,925,833 |

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

| INCOME STATEMENT                              | 2006      | 2005      | 2004      | 2003      | 2002      |    |
|---|-----------|-----------|-----------|-----------|-----------|----|
| <b>TELEPHONE OPERATING REVENUES</b>           |           |           |           |           |           |    |
| Local Network Services                        | \$587,889 | \$554,329 | \$537,734 | \$516,336 | \$466,191 | 1  |
| Network Access Services                       | 1,486,693 | 1,709,052 | 1,702,558 | 1,858,957 | 1,769,021 | 2  |
| Long Distance Network Services                |           |           |           |           |           | 3  |
| Miscellaneous Revenues                        | 306,740   | 326,190   | 327,885   | 373,501   | 398,355   | 4  |
| Less: Uncollectible Revenues                  | 3,733     | 3,736     | 5,855     | 11,818    | 35,070    | 5  |
| Total Operating Revenues                      | 2,377,589 | 2,585,835 | 2,562,322 | 2,736,976 | 2,598,497 | 6  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |           |           |           |           |           |    |
| Network Support Expenses                      | 15,798    | 23,408    | 15,610    | 15,017    | 9,837     | 7  |
| General Support Expenses                      | 54,552    | 49,903    | 60,853    | 52,733    | 45,867    | 8  |
| Central Office Switching                      | 89,461    | 92,252    | 84,202    | 77,290    | 54,922    | 9  |
| Operator Systems Expense                      |           |           |           |           |           | 10 |
| Central Office Transmission                   | 63,975    | 63,991    | 22,613    | 15,020    | 28,159    | 11 |
| Info. Origination/Termination                 | 68,296    | 57,427    | 168,271   | 244,098   | 224,493   | 12 |
| Cable & Wire Facilities                       | 73,679    | 96,385    | 76,894    | 57,148    | 60,569    | 13 |
| Total Plant Specific Operations               | 365,761   | 383,366   | 428,443   | 461,306   | 423,847   | 14 |
| Other Plant, Property & Equipment             |           |           |           |           | 167,149   | 15 |
| Network Operations                            | 217,616   | 264,513   | 199,185   | 190,017   | 5,095     | 16 |
| Access Expense                                | 36,513    | 42,048    | 30,251    | 15,640    |           | 17 |
| Depreciation and Amortization                 | 629,313   | 653,043   | 646,919   | 661,542   | 652,388   | 18 |
| Total Plant Non-Specific Operations           | 883,442   | 959,604   | 876,355   | 867,199   | 824,632   | 19 |
| Marketing Expense                             | 108,282   | 155,062   | 169,257   | 167,734   | 157,207   | 20 |
| Services Expense                              | 188,468   | 213,717   | 145,410   | 166,351   | 159,286   | 21 |
| Total Customer Operations                     | 296,750   | 368,779   | 314,667   | 334,085   | 316,493   | 22 |
| Executive & Planning                          | 57,618    | 48,255    | 112,146   | 82,191    | 89,083    | 23 |
| General & Administrative                      | 299,261   | 286,457   | 253,473   | 264,408   | 233,598   | 24 |
| Provision - Uncollectible Notes Rec.          |           |           |           |           |           | 25 |
| Other   |           |           |           |           |           | 26 |
| Total Corporate Operations                    | 356,879   | 334,712   | 365,619   | 346,599   | 322,681   | 27 |
| Total Operations Expense                      | 1,902,832 | 2,046,461 | 1,985,084 | 2,009,189 | 1,887,653 | 28 |
| Other Operating Income & Expenses             |           |           | 8,877     |           |           | 29 |
| State & Local Income Taxes                    |           |           |           |           |           | 30 |
| Other Taxes                                   | 112,726   | 190,509   | 145,974   | 150,516   | 145,848   | 31 |
| <b>Net Operating Income Before FIT</b>        | 362,031   | 348,865   | 440,141   | 577,271   | 564,996   | 32 |
| Investment Tax Credits - Net                  |           |           |           |           |           | 33 |
| Federal Income Taxes                          | 97,117    | 118,650   | 80,364    | 115,337   | 85,921    | 34 |
| Provision - Def. Operating Income Taxes - Net | 38,887    | (33,414)  | 38,182    | 76,092    | 49,233    | 35 |
| <b>Net Operating Income</b>                   | \$226,027 | \$263,629 | \$321,595 | \$385,842 | \$429,842 | 36 |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$226,027   | \$263,629   | \$321,595   | \$385,842   | \$429,842   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  |             | 20,205      | 3,780       | 2,016       | 1,470       |
| 39 Interest Income                                  | 55,559      | 120,613     | 64,742      | 40,420      | 79,119      |
| 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                       | 258,513     | (23,011)    |             |             |             |
| 45 Special Charges                                  | 1,727       | 6,086       | 1,038       | 3,725       | 3,098       |
| 46 Total Non-Operating Income & Expenses            | 312,345     | 111,721     | 67,484      | 38,711      | 77,491      |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | 96,486      | 4,019       | (8,172)     | 14,265      | (2,774)     |
| 48 Other  | 253         |             |             |             |             |
| 49 Total Non-Operating Taxes                        | 96,739      | 4,019       | (8,172)     | 14,265      | (2,774)     |
| 50 Income Available Before Interest Charges         | 441,633     | 371,331     | 397,251     | 410,288     | 510,107     |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          |             | 45,612      | 96,721      | 101,785     | 106,859     |
| 52 Other Interest Expense                           | 69,771      | 70,570      | 60,907      | 71,486      | 76,303      |
| 53 Total Interest Charges                           | 69,771      | 116,182     | 157,628     | 173,271     | 183,162     |
| 54 Income Before Extraordinary & Nonreg Items       | 371,862     | 255,149     | 239,623     | 237,017     | 326,945     |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$371,862   | \$255,149   | \$239,623   | \$237,017   | \$326,945   |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$1,898,234 | \$4,937,085 | \$4,697,463 | \$4,960,442 | \$5,133,493 |
| 60 Transferred from Income                          | 371,862     | 255,149     | 239,623     | 237,017     | 326,945     |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     |             | 3,294,000   |             | 499,996     | 499,996     |
| 64 Adjustments                                      |             |             |             |             |             |
| 65 Ending Year Balance                              | 2,270,096   | 1,898,234   | 4,937,086   | 4,697,463   | 4,960,442   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |             |             |             |             |             |
| 67 <b>Total Retained Earnings</b>                   | \$2,270,096 | \$1,898,234 | \$4,937,086 | \$4,697,463 | \$4,960,442 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$2,038,111  | \$2,409,519  | \$2,680,693  | \$3,167,086  | \$2,034,817  |
| 2 Accounts Receivable (Net)               | 1,391,896    | 930,842      | 975,605      | 1,149,672    | 1,187,125    |
| 3 Current Deferred Income Taxes           | 52,280       | 47,462       | 46,111       | 8,149        | 5,950        |
| 4 Other Current Assets                    | 553,693      | 568,038      | 521,723      | 501,007      | 602,470      |
| 5 Total Current Assets                    | 4,035,980    | 3,955,861    | 4,224,132    | 4,825,914    | 3,830,362    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 8,730,531    | 8,710,040    | 9,387,023    | 6,202,675    | 5,484,825    |
| 7 Unamortized Debt Issuance Costs         |              |              |              |              |              |
| 8 Deferred Charges                        | (6,475)      | 5,175        | 10,401       | 28,575       | 50,556       |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 478,968      | 12,415       | 10,359       |              |              |
| 11 Other Non-Current Assets               | 1,312,792    | 1,216,467    | 1,124,447    | 1,040,628    | 911,240      |
| 12 Total Non-Current Assets               | 10,515,816   | 9,944,097    | 10,532,230   | 7,271,878    | 6,446,621    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 29,488,458   | 28,200,821   | 27,193,963   | 26,088,121   | 25,425,375   |
| 14 Less: Accumulated Depr and Amort.      | 16,225,603   | 15,196,163   | 14,232,982   | 13,153,755   | 11,866,481   |
| 15 Net Regulated Plant                    | 13,262,855   | 13,004,658   | 12,960,981   | 12,934,366   | 13,558,894   |
| 16 Total Assets & Other Debits            | \$27,814,651 | \$26,904,616 | \$27,717,343 | \$25,032,158 | \$23,835,877 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$420,235    | \$707,936    | \$924,674    | \$953,856    | \$840,784    |
| 18 Notes Payable                          |              |              |              |              |              |
| 19 Advanced Billings                      | 674          | 1,323        | 1,433        | 2,720        | 5,255        |
| 20 Customer Deposits                      | 3,915        | 4,195        | 8,221        | 8,096        | 9,805        |
| 21 Current Maturities - Long-Term Debt    |              |              |              |              |              |
| 22 Current Deferred Income Taxes          |              |              |              | 337,809      | 188,065      |
| 23 Other Current Liabilities              | 61,817       | (32,473)     | (215,603)    | 119,495      | (306,109)    |
| 24 Total Current Liabilities              | 486,641      | 680,981      | 718,725      | 1,421,976    | 737,800      |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 597,141      | 750,012      | 916,544      | 1,078,319    | 1,246,126    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              |              |
| 27 Non-Current Deferred Taxes             | 2,480,566    | 2,514,921    | 2,162,418    | 2,140,482    | 2,002,748    |
| 28 Other Deferred Credits                 | 2,380,701    | 1,105,173    | 1,856,000    | 677,094      | 767,359      |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      |              |              |              | 609,393      | 609,393      |
| 31 Total Other Liab. and Def. Credits     | 4,861,267    | 3,620,094    | 4,018,418    | 3,426,969    | 3,379,500    |
| <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)      |
| 35 Retained Earnings                      | 21,281,865   | 21,265,792   | 21,475,919   | 18,520,069   | 17,887,626   |
| 36 Total Stockholder's Equity             | 21,869,602   | 21,853,529   | 22,063,656   | 19,104,894   | 18,472,451   |
| 37 Total Liab. and Stockholder's Equity   | \$27,814,651 | \$26,904,616 | \$27,717,343 | \$25,032,158 | \$23,835,877 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>        | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|--------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                    |                  |                  |                  |                  |           |
| Local Network Services                        | \$1,312,756        | \$1,327,316      | \$1,375,785      | \$1,423,045      | \$1,356,378      | 1         |
| Network Access Services                       | 3,345,765          | 3,768,104        | 4,180,039        | 4,285,526        | 4,483,191        | 2         |
| Long Distance Network Services                | 14,548             | 13,193           | 9,734            | 12,790           | 25,398           | 3         |
| Miscellaneous Revenues                        | 257,907            | 221,562          | 180,664          | 325,994          | 479,601          | 4         |
| Less: Uncollectible Revenues                  | 12,000             | 12,000           | 13,430           | 104,379          | (4,000)          | 5         |
| <b>Total Operating Revenues</b>               | <b>4,918,976</b>   | <b>5,318,175</b> | <b>5,732,792</b> | <b>5,942,976</b> | <b>6,348,568</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                    |                  |                  |                  |                  |           |
| Network Support Expenses                      | 43,121             | 27,851           | 29,758           | 31,350           | 26,780           | 7         |
| General Support Expenses                      | 261,575            | 303,095          | 374,329          | 420,628          | 498,010          | 8         |
| Central Office Switching                      | 786,177            | 607,709          | 698,858          | 572,241          | 550,628          | 9         |
| Operator Systems Expense                      |                    |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 25,451             | 14,900           | 4,525            | 5,140            | 3,704            | 11        |
| Info. Origination/Termination                 | 100                | 6,342            | 117              |                  | 115              | 12        |
| Cable & Wire Facilities                       | 522,029            | 516,523          | 507,146          | 513,874          | 476,631          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>1,638,453</b>   | <b>1,476,420</b> | <b>1,614,733</b> | <b>1,543,233</b> | <b>1,555,868</b> | <b>14</b> |
| Other Plant, Property & Equipment             |                    |                  |                  |                  |                  | 15        |
| Network Operations                            | 532,011            | 596,128          | 576,248          | 585,833          | 592,342          | 16        |
| Access Expense                                | 75,879             | 80,239           | 59,579           | 55,124           | 35,001           | 17        |
| Depreciation and Amortization                 | 1,414,334          | 1,345,119        | 1,566,979        | 1,746,383        | 1,754,639        | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>2,022,224</b>   | <b>2,021,486</b> | <b>2,202,806</b> | <b>2,387,340</b> | <b>2,381,982</b> | <b>19</b> |
| Marketing Expense                             | 7,590              | 9,731            | 6,498            | 13,363           | 3,924            | 20        |
| Services Expense                              | 483,670            | 505,974          | 554,659          | 521,159          | 534,627          | 21        |
| <b>Total Customer Operations</b>              | <b>491,260</b>     | <b>515,705</b>   | <b>561,157</b>   | <b>534,522</b>   | <b>538,551</b>   | <b>22</b> |
| Executive & Planning                          | 216,017            | 218,426          | 259,363          | 225,549          | 203,478          | 23        |
| General & Administrative                      | 695,742            | 495,840          | 503,197          | 507,356          | 492,299          | 24        |
| Provision - Uncollectible Notes Rec.          |                    |                  |                  |                  |                  | 25        |
| Other   |                    |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>911,759</b>     | <b>714,266</b>   | <b>762,560</b>   | <b>732,905</b>   | <b>695,777</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>5,063,696</b>   | <b>4,727,877</b> | <b>5,141,256</b> | <b>5,198,000</b> | <b>5,172,178</b> | <b>28</b> |
| Other Operating Income & Expenses             | (1,390)            | 1,960            | 603              | 600              | 600              | 29        |
| State & Local Income Taxes                    | 122,397            | 50,328           | 35,497           | 139,402          | 108,641          | 30        |
| Other Taxes                                   | 312,436            | 279,970          | 255,184          | 253,486          | 232,922          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(580,943)</b>   | <b>261,960</b>   | <b>301,458</b>   | <b>352,688</b>   | <b>835,427</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                    |                  |                  |                  |                  | 33        |
| Federal Income Taxes                          | (126,647)          | 119,020          | 72,335           | 20,071           | 307,384          | 34        |
| Provision - Def. Operating Income Taxes - Net | (184,351)          | (155,483)        | (39,458)         | (2,199)          | (1,608)          | 35        |
| <b>Net Operating Income</b>                   | <b>(\$269,945)</b> | <b>\$298,423</b> | <b>\$268,581</b> | <b>\$334,816</b> | <b>\$529,651</b> | <b>36</b> |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| 37 <b>Net Operating Income</b>                      | (\$269,945)  | \$298,423    | \$268,581    | \$334,816    | \$529,651    |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |              |              |              |              |              |
| 38 Dividend Income                                  | 290          | 95,132       | 93,652       | 61,128       | 57,874       |
| 39 Interest Income                                  | 39,472       | 44,635       | 28,018       | 26,179       | 45,027       |
| 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       | (222,399)    | (108,878)    | 2,087,149    | 119,092      | 49,845       |
| 44 Other Non-Operating Income                       | 677,858      | (1,680)      | (1,646)      | (1,680)      | (1,680)      |
| 45 Special Charges                                  | (45,743)     | (39,539)     | (31,911)     | 167,048      | 39,537       |
| 46 Total Non-Operating Income & Expenses            | 540,964      | 68,748       | 2,239,084    | 37,671       | 111,529      |
| <b>NON-OPERATING TAXES</b>                          |              |              |              |              |              |
| 47 Federal Income Taxes                             | 182,447      | 44,084       | 32,672       | (2,700)      | (2,700)      |
| 48 Other  | 118,951      |              |              |              |              |
| 49 Total Non-Operating Taxes                        | 301,398      | 44,084       | 32,672       | (2,700)      | (2,700)      |
| 50 Income Available Before Interest Charges         | (30,379)     | 323,087      | 2,474,993    | 375,187      | 643,880      |
| <b>INTEREST CHARGES</b>                             |              |              |              |              |              |
| 51 Interest on Funded Debt                          | 35,074       | 43,252       | 51,888       | 59,372       | 66,058       |
| 52 Other Interest Expense                           | 8,469        | 112          | 399          | 345          | 660          |
| 53 Total Interest Charges                           | 43,543       | 43,364       | 52,287       | 59,717       | 66,718       |
| 54 Income Before Extraordinary & Nonreg Items       | (73,922)     | 279,723      | 2,422,706    | 315,470      | 577,162      |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |              |              |              |              |              |
| 55 Extraordinary Items                              |              |              |              |              |              |
| 56 Nonregulated Revenues                            |              |              |              |              |              |
| 57 Total Extraordinary & Nonregulated Items         |              |              |              |              |              |
| 58 <b>Net Income</b>                                | (\$73,922)   | \$279,723    | \$2,422,706  | \$315,470    | \$577,162    |
| <b>RETAINED EARNINGS STATEMENT</b>                  |              |              |              |              |              |
| Unappropriated Retained Earnings:                   |              |              |              |              |              |
| 59 Beginning Year Balance                           | 18,467,831   | 18,079,336   | \$17,743,779 | \$17,547,401 | \$17,020,084 |
| 60 Transferred from Income                          | 148,477      | 388,601      | 335,557      | 196,378      | 527,317      |
| 61 Appropriations                                   |              |              |              |              |              |
| Dividends Declared:                                 |              |              |              |              |              |
| 62 Preferred Stock                                  |              |              |              |              |              |
| 63 Common Stock                                     |              |              |              |              |              |
| 64 Adjustments                                      |              | 106          |              |              |              |
| 65 Ending Year Balance                              | 18,616,308   | 18,467,831   | 18,079,336   | 17,743,779   | 17,547,401   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 2,665,557    | 2,797,961    | 3,396,583    | 776,290      | 340,225      |
| 67 <b>Total Retained Earnings</b>                   | \$21,281,865 | \$21,265,792 | \$21,475,919 | \$18,520,069 | \$17,887,626 |

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

|  | 2006               | 2005               | 2004               | 2003               | 2002               |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>CURRENT ASSETS</b>                          |                    |                    |                    |                    |                    |
| 1 Cash and Temporary Cash Investments          | \$71,832           | \$244,703          | \$418,459          | \$273,827          | \$182,243          |
| 2 Accounts Receivable (Net)                    | 167,792            | 171,807            | 213,424            | 231,164            | 177,466            |
| 3 Current Deferred Income Taxes                | -                  |                    |                    |                    |                    |
| 4 Other Current Assets                         | 111,416            | 146,055            | 27,895             | 62,129             | 99,582             |
| 5 Total Current Assets                         | 351,040            | 562,565            | 659,778            | 567,120            | 459,291            |
| <b>NON-CURRENT ASSETS</b>                      |                    |                    |                    |                    |                    |
| 6 Investments                                  | 484,813            | 360,339            | 273,529            | 226,796            | 113,199            |
| 7 Unamortized Debt Issuance Costs              | 646                | 988                | 1,330              | 1,672              | 2,014              |
| 8 Deferred Charges                             |                    |                    |                    |                    |                    |
| 9 Other Jurisdictional Assets - Net            |                    |                    |                    |                    |                    |
| 10 Non-Current Deferred Income Taxes           |                    |                    |                    |                    |                    |
| 11 Other Non-Current Assets                    |                    |                    |                    |                    |                    |
| 12 Total Non-Current Assets                    | 485,459            | 361,327            | 274,859            | 228,468            | 115,213            |
| <b>REGULATED PLANT</b>                         |                    |                    |                    |                    |                    |
| 13 Total Telecommunications Plant              | 2,312,615          | 2,186,810          | 2,370,675          | 2,290,856          | 2,214,323          |
| 14 Less: Accumulated Depr and Amort.           | 1,228,700          | 1,136,249          | 1,099,861          | 1,011,863          | 915,037            |
| 15 Net Regulated Plant                         | 1,083,915          | 1,050,561          | 1,270,814          | 1,278,993          | 1,299,286          |
| 16 <b>Total Assets &amp; Other Debits</b>      | <b>\$1,920,414</b> | <b>\$1,974,453</b> | <b>\$2,205,451</b> | <b>\$2,074,581</b> | <b>\$1,873,790</b> |
| <b>CURRENT LIABILITIES</b>                     |                    |                    |                    |                    |                    |
| 17 Accounts Payable                            | 132,882            | \$104,881          | \$44,404           | \$120,398          | \$44,730           |
| 18 Notes Payable                               |                    |                    |                    |                    |                    |
| 19 Advanced Billings                           |                    |                    |                    |                    |                    |
| 20 Customer Deposits                           | 958                | 975                | 1,417              | 1,067              | 1,708              |
| 21 Current Maturities - Long-Term Debt         |                    |                    |                    |                    |                    |
| 22 Current Deferred Income Taxes               | -                  |                    |                    |                    |                    |
| 23 Other Current Liabilities                   | 51,274             | 27,388             | 105,196            | 39,862             | 18,588             |
| 24 Total Current Liabilities                   | 185,114            | 133,244            | 151,017            | 161,327            | 65,026             |
| <b>LONG-TERM DEBT</b>                          |                    |                    |                    |                    |                    |
| 25 Long-Term Debt                              | 54,191             | 84,757             | 287,151            | 303,510            | 338,095            |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b>      |                    |                    |                    |                    |                    |
| 26 Unamortized ITC                             |                    |                    |                    |                    |                    |
| 27 Non-Current Deferred Taxes                  | 72,563             | 75,257             | 77,110             | 66,762             | 63,949             |
| 28 Other Deferred Credits                      |                    |                    |                    |                    |                    |
| 29 Other Jurisdictional Differences - Net      |                    |                    |                    |                    |                    |
| 30 Other Liabilities                           |                    |                    |                    |                    |                    |
| 31 Total Other Liab. and Def. Credits          | 72,563             | 75,257             | 77,110             | 66,762             | 63,949             |
| <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                           | 1,530,028          | 1,602,677          | 1,611,655          | 1,464,464          | 1,328,202          |
| 36 Total Stockholder's Equity                  | 1,608,546          | 1,681,195          | 1,690,173          | 1,542,982          | 1,406,720          |
| 37 <b>Total Liab. and Stockholder's Equity</b> | <b>\$1,920,414</b> | <b>\$1,974,453</b> | <b>\$2,205,451</b> | <b>\$2,074,581</b> | <b>\$1,873,790</b> |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>      | <b>2004</b>       | <b>2003</b>      | <b>2002</b>      |           |
|---|------------------|------------------|-------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                   |                  |                  |           |
| Local Network Services                        | \$241,073        | \$138,597        | \$171,650         | \$160,298        | \$125,263        | 1         |
| Network Access Services                       | 443,985          | 536,658          | 482,259           | 530,282          | 525,269          | 2         |
| Long Distance Network Services                |                  |                  |                   |                  |                  | 3         |
| Miscellaneous Revenues                        | 674,591          | 636,369          | 666,926           | 651,279          | 578,500          | 4         |
| Less: Uncollectible Revenues                  |                  |                  |                   |                  |                  | 5         |
| <b>Total Operating Revenues</b>               | <b>1,359,649</b> | <b>1,311,624</b> | <b>1,320,835</b>  | <b>1,341,859</b> | <b>1,229,032</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                   |                  |                  |           |
| Network Support Expenses                      |                  |                  |                   |                  |                  | 7         |
| General Support Expenses                      | 102,865          | 83,589           | 64,001            | 93,269           | 94,225           | 8         |
| Central Office Switching                      | 153,996          | 143,272          | 139,534           | 117,383          | 110,985          | 9         |
| Operator Systems Expense                      |                  |                  |                   |                  |                  | 10        |
| Central Office Transmission                   | 24,298           | 32,620           | 38,412            | 20,265           |                  | 11        |
| Info. Origination/Termination                 |                  |                  |                   |                  |                  | 12        |
| Cable & Wire Facilities                       | 152,007          | 126,655          | 139,870           | 135,079          | 101,854          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>433,166</b>   | <b>386,136</b>   | <b>381,817</b>    | <b>365,996</b>   | <b>307,064</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | 11,637           | 5,485            | 10,003            | 10,942           | 19,510           | 15        |
| Network Operations                            | 98,583           | 64,169           | 79,735            | 69,357           | 122,465          | 16        |
| Access Expense                                |                  |                  |                   |                  |                  | 17        |
| Depreciation and Amortization                 | 122,154          | 117,892          | 99,930            | 97,168           | 92,805           | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>232,374</b>   | <b>187,546</b>   | <b>189,668</b>    | <b>177,467</b>   | <b>234,780</b>   | <b>19</b> |
| Marketing Expense                             |                  |                  |                   |                  |                  | 20        |
| Services Expense                              | 36,326           | 37,006           | 39,129            | 48,900           | 32,594           | 21        |
| <b>Total Customer Operations</b>              | <b>36,326</b>    | <b>37,006</b>    | <b>39,129</b>     | <b>48,900</b>    | <b>32,594</b>    | <b>22</b> |
| Executive & Planning                          | 67,560           | 62,040           | 58,348            | 55,908           | 51,948           | 23        |
| General & Administrative                      | 527,633          | 582,639          | 453,106           | 372,415          | 355,889          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                   |                  |                  | 25        |
| Other   |                  |                  |                   |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>595,193</b>   | <b>644,679</b>   | <b>511,454</b>    | <b>428,323</b>   | <b>407,837</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>1,297,059</b> | <b>1,255,367</b> | <b>1,122,068</b>  | <b>1,020,686</b> | <b>982,275</b>   | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  |                   |                  |                  | 29        |
| State & Local Income Taxes                    | 51,738           | 50,137           | 59,688            | 49,448           | 45,306           | 30        |
| Other Taxes                                   |                  |                  |                   |                  |                  | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>10,852</b>    | <b>6,120</b>     | <b>139,079</b>    | <b>271,725</b>   | <b>201,451</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                   |                  |                  | 33        |
| Federal Income Taxes                          | 7,539            | 5,098            | 148,557           | 72,105           | 47,473           | 34        |
| Provision - Def. Operating Income Taxes - Net | (2,694)          | (1,853)          | 10,348            | 2,813            | 1,865            | 35        |
| <b>Net Operating Income</b>                   | <b>\$6,007</b>   | <b>\$2,875</b>   | <b>(\$19,826)</b> | <b>\$196,807</b> | <b>\$152,113</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$6,007     | \$2,875     | (\$19,826)  | \$196,807   | \$152,113   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  |             |             |             |             |             |
| 39 Interest Income                                  | 37,842      | 35,427      | 22,104      | 15,954      | 10,743      |
| 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            | 37,842      | 35,427      | 390,399     | 15,954      | 10,743      |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             |             |             |             |             |             |
| 48 Other  |             |             |             |             |             |
| 49 Total Non-Operating Taxes                        |             |             |             |             |             |
| 50 Income Available Before Interest Charges         | 43,849      | 38,302      | 370,573     | 212,761     | 162,856     |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          | 16,498      | 19,573      | 23,040      | 25,157      | 29,392      |
| 52 Other Interest Expense                           |             | 342         | 342         | 342         | 342         |
| 53 Total Interest Charges                           | 16,498      | 19,915      | 23,382      | 25,499      | 29,734      |
| 54 Income Before Extraordinary & Nonreg Items       | 27,351      | 18,387      | 347,191     | 187,262     | 133,122     |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$27,351    | \$18,387    | \$347,191   | \$187,262   | \$133,122   |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$1,602,677 | \$1,611,655 | \$1,464,464 | \$1,328,202 | \$1,195,080 |
| 60 Transferred from Income                          | 27,351      | 18,387      | 347,191     | 187,262     | 133,122     |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     | 100,000     |             | 200,000     | 51,000      |             |
| 64 Adjustments                                      |             | (27,365)    |             |             |             |
| 65 Ending Year Balance                              | 1,530,028   | 1,602,677   | 1,611,655   | 1,464,464   | 1,328,202   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |             |             |             |             |             |
| 67 <b>Total Retained Earnings</b>                   | \$1,530,028 | \$1,602,677 | \$1,611,655 | \$1,464,464 | \$1,328,202 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$4,650      | (\$8,475)    | \$17,818     | (\$11,447)   | \$19,958     |
| 2 Accounts Receivable (Net)               | 1,518,167    | 2,041,226    | 1,869,661    | 7,350,848    | 7,826,277    |
| 3 Current Deferred Income Taxes           | -            |              |              |              | 84,180       |
| 4 Other Current Assets                    | 94,437       | 123,930      | 108,546      | 73,746       | 74,580       |
| 5 Total Current Assets                    | 1,617,253    | 2,156,680    | 1,996,025    | 7,413,147    | 8,004,995    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 6,526,471    | 1,380,316    | 7,304,660    | 4,680,309    | (7,452,450)  |
| 7 Unamortized Debt Issuance Costs         |              |              |              |              |              |
| 8 Deferred Charges                        | 12,088       | 10,999       | 4,588        | 4,588        | 32,014       |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 73,063       | 73,063       | 73,063       | 73,063       | 4,275,797    |
| 11 Other Non-Current Assets               | 525,000      | 525,000      | 503,000      | 496,000      | 353,933      |
| 12 Total Non-Current Assets               | 7,136,622    | 1,989,378    | 7,885,311    | 5,253,960    | (2,790,706)  |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 22,299,924   | 22,020,540   | 21,556,378   | 20,507,996   | 19,953,683   |
| 14 Less: Accumulated Depr and Amort.      | 15,439,802   | 14,488,380   | 13,707,807   | 12,566,521   | 11,479,192   |
| 15 Net Regulated Plant                    | 6,860,122    | 7,532,160    | 7,848,571    | 7,941,475    | 8,474,491    |
| 16 Total Assets & Other Debits            | \$15,613,998 | \$11,678,218 | \$17,729,907 | \$20,608,582 | \$13,688,780 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | 569,246      | \$628,611    | \$8,045,167  | \$4,680,709  | (\$83,933)   |
| 18 Notes Payable                          |              |              |              |              |              |
| 19 Advanced Billings                      | 120,369      | 115,640      | 107,102      | 105,088      | 105,008      |
| 20 Customer Deposits                      |              |              |              |              |              |
| 21 Current Maturities - Long-Term Debt    |              |              |              |              |              |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 1,187        | 40,175       | 183,105      | 78,236       | (22,851)     |
| 24 Total Current Liabilities              | 690,802      | 784,426      | 8,335,373    | 4,864,033    | (1,776)      |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 119,005      | 119,375      |              |              |              |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              |              |
| 27 Non-Current Deferred Taxes             | (298,434)    | (387,405)    | (733,910)    | 6,758,614    | 4,978,126    |
| 28 Other Deferred Credits                 | 155,528      | 154,014      | 151,377      | 135,801      | 138,390      |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 839,127      | 828,840      | 1,336,750    | 1,122,504    | 1,201,845    |
| 31 Total Other Liab. and Def. Credits     | 696,221      | 595,449      | 754,217      | 8,016,919    | 6,318,361    |
| <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    | 4,725,630    |
| 35 Retained Earnings                      | 9,382,340    | 5,453,338    | 3,914,685    | 3,002,000    | 2,646,565    |
| 36 Total Stockholder's Equity             | 14,107,970   | 10,178,968   | 8,640,315    | 7,727,630    | 7,372,195    |
| 37 Total Liab. and Stockholder's Equity   | \$15,613,998 | \$11,678,218 | \$17,729,906 | \$20,608,582 | \$13,688,780 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>        | <b>2005</b>        | <b>2004</b>      | <b>2003</b>        | <b>2002</b>        |           |
|---|--------------------|--------------------|------------------|--------------------|--------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                    |                    |                  |                    |                    |           |
| Local Network Services                        | \$1,814,703        | \$1,761,656        | \$1,822,944      | \$1,957,729        | \$1,773,842        | 1         |
| Network Access Services                       | 2,973,232          | 3,072,290          | 3,048,796        | 2,938,262          | 3,083,800          | 2         |
| Long Distance Network Services                |                    |                    |                  |                    |                    | 3         |
| Miscellaneous Revenues                        | 1,227,632          | 934,180            | 1,060,125        | 870,444            | 1,090,279          | 4         |
| Less: Uncollectible Revenues                  | 53,083             | 5,098              | 42,848           | (17,802)           | 30,013             | 5         |
| <b>Total Operating Revenues</b>               | <b>5,962,484</b>   | <b>5,763,028</b>   | <b>5,889,018</b> | <b>5,784,237</b>   | <b>5,917,908</b>   | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                    |                    |                  |                    |                    |           |
| Network Support Expenses                      | 1                  | 1                  | 1,673            |                    | 3                  | 7         |
| General Support Expenses                      | 279,952            | 192,718            | 400,428          | 343,204            | 303,405            | 8         |
| Central Office Switching                      | 189,362            | 147,880            | 149,033          | 131,438            | 215,818            | 9         |
| Operator Systems Expense                      | 1,866              | 493                | 476              |                    |                    | 10        |
| Central Office Transmission                   | 53,299             | 92,808             | 73,251           | 43,932             | 56,500             | 11        |
| Info. Origination/Termination                 | 88,051             | 85,070             | 53,705           | 72,126             | 126,003            | 12        |
| Cable & Wire Facilities                       | 455,276            | 466,498            | 586,612          | 391,081            | 471,993            | 13        |
| <b>Total Plant Specific Operations</b>        | <b>1,067,806</b>   | <b>985,467</b>     | <b>1,265,179</b> | <b>981,781</b>     | <b>1,173,722</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | (7)                | 2                  | 53               | 646                |                    | 15        |
| Network Operations                            | 258,205            | 277,812            | 335,385          | 297,458            | 320,030            | 16        |
| Access Expense                                | 322,603            | 335,649            | 294,341          | 228,478            | 251,364            | 17        |
| Depreciation and Amortization                 | 1,098,359          | 1,143,856          | 1,215,809        | 525,739            | 957,455            | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,679,160</b>   | <b>1,757,319</b>   | <b>1,845,587</b> | <b>1,052,321</b>   | <b>1,528,849</b>   | <b>19</b> |
| Marketing Expense                             | 176,480            | 122,804            | 103,554          | 98,677             | 95,713             | 20        |
| Services Expense                              | 302,357            | 273,803            | 275,660          | 208,046            | 267,227            | 21        |
| <b>Total Customer Operations</b>              | <b>478,837</b>     | <b>396,607</b>     | <b>379,214</b>   | <b>306,723</b>     | <b>362,940</b>     | <b>22</b> |
| Executive & Planning                          | 53,073             | 56,168             | 288,708          | 41,118             | 19,270             | 23        |
| General & Administrative                      | 228,297            | 234,879            | 329,624          | 920,827            | 1,049,313          | 24        |
| Provision - Uncollectible Notes Rec.          |                    |                    |                  |                    |                    | 25        |
| Other   |                    |                    |                  |                    |                    | 26        |
| <b>Total Corporate Operations</b>             | <b>281,370</b>     | <b>291,046</b>     | <b>618,332</b>   | <b>961,945</b>     | <b>1,068,583</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>3,507,173</b>   | <b>3,430,439</b>   | <b>4,108,312</b> | <b>3,302,770</b>   | <b>4,134,094</b>   | <b>28</b> |
| Other Operating Income & Expenses             |                    |                    |                  |                    |                    | 29        |
| State & Local Income Taxes                    |                    |                    |                  |                    |                    | 30        |
| Other Taxes                                   | 283,122            | 296,750            | 252,103          | 270,563            | 194,337            | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>2,172,190</b>   | <b>2,035,839</b>   | <b>1,528,604</b> | <b>2,210,904</b>   | <b>1,589,477</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                    |                    |                  |                    |                    | 33        |
| Federal Income Taxes                          | 1,001,590          | 1,102,356          | 951,739          | 672,522            | (51,783)           | 34        |
| Provision - Def. Operating Income Taxes - Net | (241,324)          | (389,812)          | (416,728)        | (280,515)          | 370,454            | 35        |
| <b>Net Operating Income</b>                   | <b>\$1,411,924</b> | <b>\$1,323,295</b> | <b>\$993,593</b> | <b>\$1,818,897</b> | <b>\$1,270,806</b> | <b>36</b> |

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

|   | <b>2006</b>        | <b>2005</b>        | <b>2004</b>        | <b>2003</b>        | <b>2002</b>        |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| 37 <b>Net Operating Income</b>                      | \$1,411,924        | \$1,323,295        | \$993,593          | \$1,818,897        | \$1,270,806        |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |                    |                    |                    |                    |                    |
| 38 Dividend Income                                  |                    |                    |                    |                    |                    |
| 39 Interest Income                                  | 3,835,918          | 313,728            | 1,127,138          | 147,202            | 1,604              |
| 40 Income - Sinking and Other Funds                 |                    |                    |                    |                    |                    |
| 41 Allowance for Funds Used During Construction     | 4,157              | 16,243             | 13,073             | 5,403              | 47,693             |
| 42 Gains/Losses - Disposal of Property              |                    |                    |                    |                    |                    |
| 43 Equity in Earnings of Affiliated Companies       |                    |                    |                    |                    |                    |
| 44 Other Non-Operating Income                       |                    |                    |                    | (208,750)          |                    |
| 45 Special Charges                                  | 1,064              | 1,838              | 916                | 4,020              | 6,018              |
| 46 Total Non-Operating Income & Expenses            | 3,839,011          | 328,133            | 1,139,294          | (60,165)           | 43,279             |
| <b>NON-OPERATING TAXES</b>                          |                    |                    |                    |                    |                    |
| 47 Federal Income Taxes                             | 1,314,322          | 101,204            | 397,168            |                    |                    |
| 48 Other  |                    |                    |                    |                    |                    |
| 49 Total Non-Operating Taxes                        | 1,314,322          | 101,204            | 397,168            |                    |                    |
| 50 Income Available Before Interest Charges         | 3,936,613          | 1,550,224          | 1,735,719          | 1,758,732          | 1,314,085          |
| <b>INTEREST CHARGES</b>                             |                    |                    |                    |                    |                    |
| 51 Interest on Funded Debt                          |                    |                    |                    |                    | 19,234             |
| 52 Other Interest Expense                           | 7,612              | 11,570             | 18,033             | 1,403,297          | 346,163            |
| 53 Total Interest Charges                           | 7,612              | 11,570             | 18,033             | 1,403,297          | 365,397            |
| 54 Income Before Extraordinary & Nonreg Items       | 3,929,001          | 1,538,654          | 1,717,686          | 355,435            | 948,688            |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |                    |                    |                    |                    |                    |
| 55 Extraordinary Items                              |                    |                    |                    |                    |                    |
| 56 Nonregulated Revenues                            |                    |                    |                    |                    |                    |
| 57 Total Extraordinary & Nonregulated Items         |                    |                    |                    |                    |                    |
| 58 <b>Net Income</b>                                | <b>\$3,929,001</b> | <b>\$1,538,654</b> | <b>\$1,717,686</b> | <b>\$355,435</b>   | <b>\$948,688</b>   |
| <b>RETAINED EARNINGS STATEMENT</b>                  |                    |                    |                    |                    |                    |
| Unappropriated Retained Earnings:                   |                    |                    |                    |                    |                    |
| 59 Beginning Year Balance                           | \$5,453,339        | \$3,914,686        | \$3,002,000        | \$2,646,565        | \$1,697,877        |
| 60 Transferred from Income                          | 3,929,001          | 1,538,654          | 1,717,686          | 355,435            | 948,688            |
| 61 Appropriations                                   |                    |                    |                    |                    |                    |
| Dividends Declared:                                 |                    |                    |                    |                    |                    |
| 62 Preferred Stock                                  |                    |                    |                    |                    |                    |
| 63 Common Stock                                     |                    |                    | 805,000            |                    |                    |
| 64 Adjustments                                      |                    |                    |                    |                    |                    |
| 65 Ending Year Balance                              | 9,382,340          | 5,453,340          | 3,914,686          | 3,002,000          | 2,646,565          |
| 66 Appropriated/Undistr Affiliate Retained Earnings |                    |                    |                    |                    |                    |
| 67 <b>Total Retained Earnings</b>                   | <b>\$9,382,340</b> | <b>\$5,453,340</b> | <b>\$3,914,686</b> | <b>\$3,002,000</b> | <b>\$2,646,565</b> |

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

|   | 2006          | 2005          | 2004          | 2003          | 2002          |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>CURRENT ASSETS</b>                     |               |               |               |               |               |
| 1 Cash and Temporary Cash Investments     | \$733,228     | \$859,400     | \$524,418     | \$1,552,325   | \$1,278,703   |
| 2 Accounts Receivable (Net)               | 11,300,551    | 24,888,727    | 15,800,923    | 69,223,405    | 407,853,275   |
| 3 Current Deferred Income Taxes           |               |               |               |               | 646,504       |
| 4 Other Current Assets                    | 1,084,257     | 1,172,764     | 1,343,660     | 1,224,080     | 1,808,377     |
| 5 Total Current Assets                    | 13,118,037    | 26,920,891    | 17,669,001    | 71,999,810    | 411,586,859   |
| <b>NON-CURRENT ASSETS</b>                 |               |               |               |               |               |
| 6 Investments                             | 84,264,564    | 49,063,955    | 30,423,728    | 19,051,301    | (90,212,318)  |
| 7 Unamortized Debt Issuance Costs         |               |               |               |               |               |
| 8 Deferred Charges                        | 2,833,232     | 2,822,741     | 2,915,377     | 2,907,364     | 2,574,370     |
| 9 Other Jurisdictional Assets - Net       |               |               |               |               |               |
| 10 Non-Current Deferred Income Taxes      |               |               |               |               | 36,387,526    |
| 11 Other Non-Current Assets               | 6,190,000     | 6,190,000     | 6,986,000     | 8,008,000     | 9,181,706     |
| 12 Total Non-Current Assets               | 93,287,796    | 58,076,696    | 40,325,105    | 29,966,665    | (42,068,716)  |
| <b>REGULATED PLANT</b>                    |               |               |               |               |               |
| 13 Total Telecommunications Plant         | 181,928,434   | 178,619,295   | 175,684,422   | 169,765,872   | 165,129,576   |
| 14 Less: Accumulated Depr and Amort.      | 119,688,817   | 110,534,884   | 103,396,710   | 94,912,444    | 86,628,567    |
| 15 Net Regulated Plant                    | 62,239,617    | 68,084,411    | 72,287,712    | 74,853,428    | 78,501,009    |
| 16 Total Assets & Other Debits            | \$168,645,450 | \$153,081,998 | \$130,281,818 | \$176,819,903 | \$448,019,152 |
| <b>CURRENT LIABILITIES</b>                |               |               |               |               |               |
| 17 Accounts Payable                       | \$6,032,675   | \$13,438,893  | \$15,909,384  | \$71,829,005  | \$374,279     |
| 18 Notes Payable                          |               |               |               |               |               |
| 19 Advanced Billings                      | 1,086,954     | 1,119,611     | 1,097,270     | 1,063,973     | 1,073,879     |
| 20 Customer Deposits                      |               |               | 12,347        | 10,000        | 10,000        |
| 21 Current Maturities - Long-Term Debt    |               |               |               |               |               |
| 22 Current Deferred Income Taxes          |               |               |               |               | 13,415        |
| 23 Other Current Liabilities              | 25,468        | 176,761       | 880,250       | 663,795       | (623,392)     |
| 24 Total Current Liabilities              | 7,145,097     | 14,735,265    | 17,899,251    | 73,566,773    | 848,181       |
| <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             | 2,901,959     | 2,634,744     | 983,802       | (3,412,163)   | 49,198,909    |
| 28 Other Deferred Credits                 | 3,712,341     | 3,636,991     | 1,948,237     | 1,796,907     | 2,133,945     |
| 29 Other Jurisdictional Differences - Net |               |               |               |               |               |
| 30 Other Liabilities                      | 16,999,011    | 18,023,980    | 20,625,435    | 23,369,777    | 19,691,832    |
| 31 Total Other Liab. and Def. Credits     | 23,613,311    | 24,295,715    | 23,557,474    | 21,754,521    | 71,024,686    |
| <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                      | 72,370,585    | 48,534,561    | 23,308,635    | 15,982,152    | 14,858,794    |
| 36 Total Stockholder's Equity             | 137,887,042   | 114,051,018   | 88,825,092    | 81,498,609    | 80,375,251    |
| 37 Total Liab. and Stockholder's Equity   | \$168,645,450 | \$153,081,998 | \$130,281,818 | \$176,819,903 | \$448,019,152 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>         | <b>2005</b>         | <b>2004</b>         | <b>2003</b>         | <b>2002</b>         |           |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                     |                     |                     |                     |                     |           |
| Local Network Services                        | \$20,530,411        | \$21,372,501        | \$21,403,485        | \$20,849,133        | \$20,215,741        | 1         |
| Network Access Services                       | 24,123,913          | 30,019,497          | 28,989,518          | 30,391,094          | 30,707,786          | 2         |
| Long Distance Network Services                |                     |                     |                     |                     |                     | 3         |
| Miscellaneous Revenues                        | 24,523,582          | 19,162,146          | 20,808,719          | 19,375,699          | 21,626,265          | 4         |
| Less: Uncollectible Revenues                  | 148,480             | 126,780             | 435,612             | 1,109,086           | 212,085             | 5         |
| <b>Total Operating Revenues</b>               | <b>69,029,426</b>   | <b>70,427,364</b>   | <b>70,766,111</b>   | <b>69,506,840</b>   | <b>72,337,707</b>   | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                     |                     |                     |                     |                     |           |
| Network Support Expenses                      | (30)                | 576                 | 20,084              | 207                 | (60)                | 7         |
| General Support Expenses                      | 2,387,984           | 486,516             | 4,119,360           | 4,159,273           | 3,075,371           | 8         |
| Central Office Switching                      | 871,941             | 727,071             | 5,411,237           | (1,506,872)         | (974,431)           | 9         |
| Operator Systems Expense                      | 18,883              | 5,515               | 5,761               |                     |                     | 10        |
| Central Office Transmission                   | 473,738             | 1,070,515           | 1,444,236           | 1,987,650           | 2,016,395           | 11        |
| Info. Origination/Termination                 | 2,309,567           | 1,398,401           | 1,970,800           | 2,863,649           | 2,264,663           | 12        |
| Cable & Wire Facilities                       | 1,537,185           | 2,742,375           | 2,923,537           | 2,635,354           | 2,764,556           | 13        |
| <b>Total Plant Specific Operations</b>        | <b>7,599,268</b>    | <b>6,430,969</b>    | <b>15,895,015</b>   | <b>10,139,261</b>   | <b>9,146,494</b>    | <b>14</b> |
| Other Plant, Property & Equipment             | (80)                | 23                  | 674                 | 7,003               | 410                 | 15        |
| Network Operations                            | 2,673,445           | 2,086,549           | 3,467,932           | 5,342,363           | 5,672,689           | 16        |
| Access Expense                                | 3,792,203           | 3,960,933           | 3,958,287           | 3,195,873           | 2,773,807           | 17        |
| Depreciation and Amortization                 | 9,977,816           | 9,250,362           | 9,283,347           | 2,339,939           | 7,246,492           | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>16,443,384</b>   | <b>15,297,867</b>   | <b>16,710,240</b>   | <b>10,885,178</b>   | <b>15,693,398</b>   | <b>19</b> |
| Marketing Expense                             | 1,269,213           | 962,357             | 844,904             | 972,135             | 2,274,581           | 20        |
| Services Expense                              | 5,941,649           | 2,779,032           | 6,111,495           | 5,439,103           | 7,159,268           | 21        |
| <b>Total Customer Operations</b>              | <b>7,210,861</b>    | <b>3,741,389</b>    | <b>6,956,400</b>    | <b>6,411,238</b>    | <b>9,433,849</b>    | <b>22</b> |
| Executive & Planning                          | 598,519             | 638,280             | 3,609,879           | 540,543             | 365,977             | 23        |
| General & Administrative                      | 2,601,819           | 2,740,688           | 3,800,828           | 9,823,665           | 12,687,304          | 24        |
| Provision - Uncollectible Notes Rec.          |                     |                     |                     |                     |                     | 25        |
| Other   |                     |                     |                     |                     |                     | 26        |
| <b>Total Corporate Operations</b>             | <b>3,200,338</b>    | <b>3,378,968</b>    | <b>7,410,707</b>    | <b>10,364,208</b>   | <b>13,053,281</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>34,453,851</b>   | <b>28,849,193</b>   | <b>46,972,362</b>   | <b>37,799,885</b>   | <b>47,327,022</b>   | <b>28</b> |
| Other Operating Income & Expenses             |                     |                     |                     |                     |                     | 29        |
| State & Local Income Taxes                    |                     |                     |                     |                     |                     | 30        |
| Other Taxes                                   | 3,089,925           | 3,127,935           | 3,051,409           | 2,630,475           | 3,517,153           | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>31,485,650</b>   | <b>38,450,236</b>   | <b>20,742,340</b>   | <b>29,076,480</b>   | <b>21,493,532</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                     |                     |                     |                     |                     | 33        |
| Federal Income Taxes                          | 10,838,325          | 13,397,232          | 6,468,117           | 9,734,199           | 1,055,701           | 34        |
| Provision - Def. Operating Income Taxes - Net | 181,652             | 60,351              | 791,701             | 442,570             | 2,535,383           | 35        |
| <b>Net Operating Income</b>                   | <b>\$20,465,673</b> | <b>\$24,992,653</b> | <b>\$13,482,522</b> | <b>\$18,899,711</b> | <b>\$17,902,448</b> | <b>36</b> |

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

|   | <b>2006</b>         | <b>2005</b>         | <b>2004</b>         | <b>2003</b>         | <b>2002</b>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| 37 <b>Net Operating Income</b>                      | \$20,465,673        | \$24,992,653        | \$13,482,522        | \$18,899,711        | \$17,902,448        |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |                     |                     |                     |                     |                     |
| 38 Dividend Income                                  |                     |                     |                     |                     |                     |
| 39 Interest Income                                  | 5,519,432           | 3,098,292           | 992,634             | 147,539             | 145,763             |
| 40 Income - Sinking and Other Funds                 |                     |                     |                     |                     |                     |
| 41 Allowance for Funds Used During Construction     | 27,898              | 51,719              | 64,957              | 41,210              | 80,722              |
| 42 Gains/Losses - Disposal of Property              |                     |                     |                     |                     |                     |
| 43 Equity in Earnings of Affiliated Companies       |                     |                     |                     |                     |                     |
| 44 Other Non-Operating Income                       | 118,754             | (1,640,791)         |                     |                     |                     |
| 45 Special Charges                                  | 216,364             | 194,096             | 385,753             | 159,898             | 242,670             |
| 46 Total Non-Operating Income & Expenses            | 5,449,720           | 1,315,124           | 671,838             | 28,851              | (16,185)            |
| <b>NON-OPERATING TAXES</b>                          |                     |                     |                     |                     |                     |
| 47 Federal Income Taxes                             | 1,438,495           | (25,216)            | 392,857             | (5,444,541)         |                     |
| 48 Other  |                     |                     |                     |                     |                     |
| 49 Total Non-Operating Taxes                        | 1,438,495           | (25,216)            | 392,857             | (5,444,541)         |                     |
| 50 Income Available Before Interest Charges         | 24,476,898          | 26,332,993          | 13,761,503          | 24,373,103          | 17,886,263          |
| <b>INTEREST CHARGES</b>                             |                     |                     |                     |                     |                     |
| 51 Interest on Funded Debt                          |                     |                     |                     |                     |                     |
| 52 Other Interest Expense                           | 640,873             | 1,107,068           | 30,020              |                     | 3,821,329           |
| 53 Total Interest Charges                           | 640,873             | 1,107,068           | 30,020              | 23,249,745          | 3,821,329           |
| 54 Income Before Extraordinary & Nonreg Items       | 23,836,025          | 25,225,925          | 13,731,482          | 1,123,358           | 14,064,934          |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |                     |                     |                     |                     |                     |
| 55 Extraordinary Items                              |                     |                     |                     |                     |                     |
| 56 Nonregulated Revenues                            |                     |                     |                     |                     |                     |
| 57 Total Extraordinary & Nonregulated Items         |                     |                     |                     |                     |                     |
| 58 <b>Net Income</b>                                | <b>\$23,836,025</b> | <b>\$25,225,925</b> | <b>\$13,731,482</b> | <b>\$1,123,358</b>  | <b>\$14,064,934</b> |
| <hr/>   |                     |                     |                     |                     |                     |
| <b>RETAINED EARNINGS STATEMENT</b>                  |                     |                     |                     |                     |                     |
| Unappropriated Retained Earnings:                   |                     |                     |                     |                     |                     |
| 59 Beginning Year Balance                           | \$48,534,560        | \$23,308,634        | \$15,982,152        | \$14,858,794        | \$15,793,860        |
| 60 Transferred from Income                          | 23,836,025          | 25,225,925          | 13,731,482          | 1,123,358           | 14,064,934          |
| 61 Appropriations                                   |                     |                     |                     |                     |                     |
| Dividends Declared:                                 |                     |                     |                     |                     |                     |
| 62 Preferred Stock                                  |                     |                     |                     |                     |                     |
| 63 Common Stock                                     |                     |                     | 6,405,000           |                     | 15,000,000          |
| 64 Adjustments                                      |                     |                     |                     |                     |                     |
| 65 Ending Year Balance                              | 72,370,585          | 48,534,560          | 23,308,634          | 15,982,152          | 14,858,794          |
| 66 Appropriated/Undistr Affiliate Retained Earnings |                     |                     |                     |                     |                     |
| 67 <b>Total Retained Earnings</b>                   | <b>\$72,370,585</b> | <b>\$48,534,560</b> | <b>\$23,308,634</b> | <b>\$15,982,152</b> | <b>\$14,858,794</b> |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$39,074     | (\$7,222)    | \$60,725     | \$32,207     | \$1,118      |
| 2 Accounts Receivable (Net)               | 1,527,854    | 2,131,257    | 1,658,703    | 4,035,213    | 24,217,325   |
| 3 Current Deferred Income Taxes           |              |              |              |              | 53,108       |
| 4 Other Current Assets                    | 117,069      | 148,381      | 112,767      | 104,267      | 88,292       |
| 5 Total Current Assets                    | 1,683,997    | 2,272,417    | 1,832,195    | 4,171,687    | 24,359,843   |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 6,377,355    | 2,334,163    | 3,206,160    | 3,983,991    | (10,207,513) |
| 7 Unamortized Debt Issuance Costs         |              |              |              |              |              |
| 8 Deferred Charges                        | 334,165      | 334,166      | 334,165      | 334,173      | 310,984      |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 47,950       | 47,950       | 47,950       | 47,950       | 4,760,033    |
| 11 Other Non-Current Assets               |              |              |              |              |              |
| 12 Total Non-Current Assets               | 6,759,470    | 2,716,279    | 3,588,275    | 4,366,114    | (5,136,496)  |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 23,745,842   | 23,100,207   | 22,560,523   | 21,892,343   | 21,466,317   |
| 14 Less: Accumulated Depr and Amort.      | 18,593,642   | 17,165,819   | 15,618,551   | 13,988,222   | 12,639,020   |
| 15 Net Regulated Plant                    | 5,152,200    | 5,934,388    | 6,941,972    | 7,904,121    | 8,827,297    |
| 16 Total Assets & Other Debits            | \$13,595,667 | \$10,923,084 | \$12,362,442 | \$16,441,922 | \$28,050,644 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | 750,773      | 830,430      | \$3,336,447  | \$5,792,292  | (\$7,643)    |
| 18 Notes Payable                          |              |              |              |              |              |
| 19 Advanced Billings                      | 274,847      | 257,673      | 245,699      | 234,919      | 225,876      |
| 20 Customer Deposits                      |              |              |              |              |              |
| 21 Current Maturities - Long-Term Debt    |              |              |              |              |              |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 318          | 5,285        | 121,627      | 1,567        | (1,273)      |
| 24 Total Current Liabilities              | 1,025,938    | 1,093,388    | 3,703,773    | 6,028,778    | 216,960      |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         |              |              |              |              | 14,123,979   |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              |              |
| 27 Non-Current Deferred Taxes             | 955,771      | 1,085,143    | 1,149,040    | 1,489,056    | 5,117,225    |
| 28 Other Deferred Credits                 | 25,406       | 3,975        | 5,363        | 6,239        | 7,296        |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 1,163,346    | 1,308,828    | 1,601,139    | 1,753,195    | 1,138,350    |
| 31 Total Other Liab. and Def. Credits     | 2,144,523    | 2,397,945    | 2,755,542    | 3,248,490    | 6,262,871    |
| <b>STOCKHOLDER'S EQUITY</b>               |              |              |              |              |              |
| 32 Common Stock                           | 1            | 1            | 1            | 1            | 1            |
| 33 Preferred Stock                        |              |              |              |              |              |
| 34 Other Paid in Capital                  | 5,736,563    | 5,736,562    | 5,736,563    | 6,234,910    | 6,234,910    |
| 35 Retained Earnings                      | 4,688,643    | 1,695,188    | 166,564      | 929,743      | 1,211,923    |
| 36 Total Stockholder's Equity             | 10,425,206   | 7,431,751    | 5,903,127    | 7,164,654    | 7,446,834    |
| 37 Total Liab. and Stockholder's Equity   | \$13,595,667 | \$10,923,084 | \$12,362,442 | \$16,441,922 | \$28,050,644 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>        | <b>2004</b>      | <b>2003</b>        | <b>2002</b>        |           |
|---|------------------|--------------------|------------------|--------------------|--------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                    |                  |                    |                    |           |
| Local Network Services                        | \$2,116,507      | \$2,085,127        | \$1,974,677      | \$1,959,873        | \$1,962,561        | 1         |
| Network Access Services                       | 2,872,934        | 2,967,942          | 2,988,518        | 3,204,150          | 2,902,659          | 2         |
| Long Distance Network Services                |                  |                    |                  |                    |                    | 3         |
| Miscellaneous Revenues                        | 1,809,380        | 1,349,270          | 1,588,628        | 1,156,914          | 1,451,493          | 4         |
| Less: Uncollectible Revenues                  | 56,137           | (14,630)           | 48,630           | 70,022             | (16,971)           | 5         |
| <b>Total Operating Revenues</b>               | <b>6,742,684</b> | <b>6,416,969</b>   | <b>6,503,194</b> | <b>6,250,915</b>   | <b>6,333,684</b>   | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                    |                  |                    |                    |           |
| Network Support Expenses                      | 1                | 4                  | 2,009            | 10                 | (24)               | 7         |
| General Support Expenses                      | 315,698          | 302,225            | 482,893          | 440,221            | 380,345            | 8         |
| Central Office Switching                      | 75,136           | 80,125             | 72,253           | 91,580             | 145,181            | 9         |
| Operator Systems Expense                      | 2,693            | 705                | 564              |                    |                    | 10        |
| Central Office Transmission                   | 84,985           | 196,454            | 78,423           | 109,612            | 138,981            | 11        |
| Info. Origination/Termination                 | 147,065          | 73,666             | 92,236           | 105,383            | 73,547             | 12        |
| Cable & Wire Facilities                       | 210,110          | 328,421            | 355,695          | 332,383            | 349,661            | 13        |
| <b>Total Plant Specific Operations</b>        | <b>835,687</b>   | <b>981,599</b>     | <b>1,084,071</b> | <b>1,079,189</b>   | <b>1,087,691</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | (10)             | 3                  | 73               | 52                 |                    | 15        |
| Network Operations                            | 395,995          | 384,631            | 491,060          | 478,137            | 449,311            | 16        |
| Access Expense                                | 195,776          | 206,828            | 149,928          | 133,955            | 26,482             | 17        |
| Depreciation and Amortization                 | 1,502,905        | 1,690,335          | 1,672,331        | 2,193,096          | 1,533,197          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>2,094,667</b> | <b>2,281,797</b>   | <b>2,313,392</b> | <b>2,805,240</b>   | <b>2,008,990</b>   | <b>19</b> |
| Marketing Expense                             | 212,160          | 161,401            | 143,271          | 142,680            | 139,931            | 20        |
| Services Expense                              | 422,170          | 307,379            | 405,933          | 308,351            | 415,004            | 21        |
| <b>Total Customer Operations</b>              | <b>634,330</b>   | <b>468,780</b>     | <b>549,204</b>   | <b>451,031</b>     | <b>554,935</b>     | <b>22</b> |
| Executive & Planning                          | 67,293           | 36,701             | 366,932          | 48,079             | 28,266             | 23        |
| General & Administrative                      | 322,522          | 121,486            | 403,069          | (100,240)          | 67,523             | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                    |                  |                    |                    | 25        |
| Other   |                  |                    |                  |                    |                    | 26        |
| <b>Total Corporate Operations</b>             | <b>389,815</b>   | <b>158,187</b>     | <b>770,001</b>   | <b>(52,161)</b>    | <b>95,789</b>      | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>3,954,499</b> | <b>3,890,364</b>   | <b>4,716,668</b> | <b>4,283,299</b>   | <b>3,747,405</b>   | <b>28</b> |
| Other Operating Income & Expenses             |                  |                    |                  |                    |                    | 29        |
| State & Local Income Taxes                    |                  |                    |                  |                    |                    | 30        |
| Other Taxes                                   | 339,391          | 342,485            | 299,691          | 174,844            | 317,951            | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>2,448,794</b> | <b>2,184,120</b>   | <b>1,486,834</b> | <b>1,792,772</b>   | <b>2,268,328</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                    |                  |                    |                    | 33        |
| Federal Income Taxes                          | 1,557,306        | 869,408            | 820,408          | (385,723)          | 340,095            | 34        |
| Provision - Def. Operating Income Taxes - Net | 9,397            | (63,379)           | 3,819            | 1,099,299          | (242,340)          | 35        |
| <b>Net Operating Income</b>                   | <b>\$882,091</b> | <b>\$1,378,091</b> | <b>\$662,607</b> | <b>\$1,079,196</b> | <b>\$2,170,573</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$882,091   | \$1,378,091 | \$662,607   | \$1,079,196 | \$2,170,573 |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  |             |             |             |             |             |
| 39 Interest Income                                  | 2,128,853   | 212,557     | 828,683     | 95,311      | 1,571       |
| 40 Income - Sinking and Other Funds                 |             |             |             |             |             |
| 41 Allowance for Funds Used During Construction     | 2,513       | 8,947       | 4,280       | 3,830       | 7,163       |
| 42 Gains/Losses - Disposal of Property              |             |             |             |             |             |
| 43 Equity in Earnings of Affiliated Companies       |             |             |             |             |             |
| 44 Other Non-Operating Income                       | 49          |             |             | (137,000)   |             |
| 45 Special Charges                                  | 5,475       | (1,123)     | 1,353       | 936         | 9,368       |
| 46 Total Non-Operating Income & Expenses            | 2,136,890   | 220,382     | 831,610     | (38,795)    | (634)       |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             |             |             |             |             |             |
| 48 Other  |             |             |             |             |             |
| 49 Total Non-Operating Taxes                        |             |             |             |             |             |
| 50 Income Available Before Interest Charges         | 3,018,981   | 1,598,472   | 1,494,217   | 1,040,401   | 2,169,939   |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          |             |             |             |             | 18,538      |
| 52 Other Interest Expense                           | 25,527      | 69,850      | 5,746       | 1,322,582   | 389,202     |
| 53 Total Interest Charges                           | 25,527      | 69,850      | 5,746       | 1,322,582   | 407,740     |
| 54 Income Before Extraordinary & Nonreg Items       | 2,993,454   | 1,528,623   | 1,488,471   | (282,181)   | 1,762,199   |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$2,993,454 | \$1,528,623 | \$1,488,471 | (\$282,181) | \$1,762,199 |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$1,695,188 | \$166,558   | \$929,741   | \$1,211,922 | (\$550,277) |
| 60 Transferred from Income                          | 2,993,455   | 1,528,623   | 1,488,471   | (282,181)   | 1,762,199   |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     |             |             | 2,251,653   |             |             |
| 64 Adjustments                                      |             |             | (2)         |             |             |
| 65 Ending Year Balance                              | 4,688,643   | 1,695,180   | 166,558     | 929,741     | 1,211,922   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |             |             |             |             |             |
| 67 <b>Total Retained Earnings</b>                   | \$4,688,643 | \$1,695,180 | \$166,558   | \$929,741   | \$1,211,922 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$22,449     | \$21,539     | \$80,176     | \$71,120     | \$28,416     |
| 2 Accounts Receivable (Net)               | 2,512,449    | 3,296,964    | 14,862,926   | 1,099,386    | 68,733,048   |
| 3 Current Deferred Income Taxes           |              |              |              |              | 105,448      |
| 4 Other Current Assets                    | 182,502      | 234,839      | 308,366      | 314,010      | 286,360      |
| 5 Total Current Assets                    | 2,717,400    | 3,553,342    | 15,251,468   | 1,484,516    | 69,153,272   |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 10,719,667   | 5,734,216    | (11,109,757) | (614,677)    | (25,335,318) |
| 7 Unamortized Debt Issuance Costs         |              |              |              |              |              |
| 8 Deferred Charges                        | 283,088      | 288,775      | 280,931      | 278,357      | 227,808      |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      |              |              |              |              | 8,833,459    |
| 11 Other Non-Current Assets               | (321,000)    | (321,000)    | (213,000)    | (84,000)     | 319,762      |
| 12 Total Non-Current Assets               | 10,681,755   | 5,701,991    | (11,041,826) | (420,320)    | (15,954,289) |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 50,871,918   | 49,987,387   | 49,091,172   | 47883731     | 46,657,188   |
| 14 Less: Accumulated Depr and Amort.      | 32,158,656   | 29,290,897   | 27,293,852   | 24513077     | 22,135,941   |
| 15 Net Regulated Plant                    | 18,713,262   | 20,696,490   | 21,797,320   | 23,370,654   | 24,521,247   |
| 16 Total Assets & Other Debits            | \$32,112,417 | \$29,951,823 | \$26,006,962 | \$24,434,850 | \$77,720,230 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | 1,575,430    | 1,661,594    | \$1,685,282  | \$14,288,803 | (\$105,634)  |
| 18 Notes Payable                          |              |              |              |              |              |
| 19 Advanced Billings                      | 244,051      | 238,519      | 221,671      | 210,315      | 207,607      |
| 20 Customer Deposits                      |              |              |              |              |              |
| 21 Current Maturities - Long-Term Debt    |              |              |              |              |              |
| 22 Current Deferred Income Taxes          |              |              |              |              | 60           |
| 23 Other Current Liabilities              | 11,063       | 4,319        | 139,966      | 11,064       | (79,162)     |
| 24 Total Current Liabilities              | 1,830,544    | 1,904,433    | 2,046,919    | 14,510,182   | 22,871       |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         |              |              |              |              | 49,999,037   |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              |              |
| 27 Non-Current Deferred Taxes             | 2,882,453    | 2,862,082    | 2,386,700    | (5,807,052)  | 11,200,588   |
| 28 Other Deferred Credits                 | 123,711      | 129,799      | 313,020      | 5,341        | 18,833       |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 475,009      | 521,472      | 1,891,832    | 2,345,659    | 2,376,821    |
| 31 Total Other Liab. and Def. Credits     | 3,481,173    | 3,513,354    | 4,591,552    | (3,456,052)  | 13,596,242   |
| <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                      | 14,146,333   | 11,879,669   | 6,714,123    | 726,352      | 1,447,712    |
| 36 Total Stockholder's Equity             | 26,800,701   | 24,534,037   | 19,368,491   | 13,380,720   | 14,102,080   |
| 37 Total Liab. and Stockholder's Equity   | \$32,112,417 | \$29,951,823 | \$26,006,962 | \$24,434,850 | \$77,720,230 |

**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>2006</b>        | <b>2005</b>        | <b>2004</b>        | <b>2003</b>        | <b>2002</b>        |           |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                    |                    |                    |                    |                    |           |
| Local Network Services                        | \$4,271,808        | \$4,264,309        | \$4,218,598        | \$4,033,159        | \$4,055,227        | 1         |
| Network Access Services                       | 4,797,520          | 7,763,846          | 6,523,789          | 6,280,412          | 5,811,619          | 2         |
| Long Distance Network Services                |                    |                    |                    |                    |                    | 3         |
| Miscellaneous Revenues                        | 3,864,435          | 2,810,803          | 3,119,900          | 2,765,006          | 2,840,151          | 4         |
| Less: Uncollectible Revenues                  | 53,693             | (10,325)           | 96,543             | 68,886             | (71,050)           | 5         |
| <b>Total Operating Revenues</b>               | <b>12,880,069</b>  | <b>14,849,282</b>  | <b>13,765,744</b>  | <b>13,009,691</b>  | <b>12,778,047</b>  | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                    |                    |                    |                    |                    |           |
| Network Support Expenses                      | 2                  | 77                 | 3,280              | (9)                | 11                 | 7         |
| General Support Expenses                      | 647,072            | 627,659            | 736,026            | 277,442            | 736,593            | 8         |
| Central Office Switching                      | 1,494,574          | 276,866            | (4,190,126)        | 2,545,584          | 2,436,303          | 9         |
| Operator Systems Expense                      | 4,947              | 1,199              | 951                |                    |                    | 10        |
| Central Office Transmission                   | 212,316            | 214,310            | 342,135            | 337,555            | 238,658            | 11        |
| Info. Origination/Termination                 | 354,718            | 309,688            | 371,734            | 451,091            | 203,239            | 12        |
| Cable & Wire Facilities                       | 501,124            | 518,273            | 779,331            | 685,834            | 1,176,134          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>3,214,753</b>   | <b>1,948,073</b>   | <b>(1,956,668)</b> | <b>4,297,497</b>   | <b>4,790,938</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | (20)               | 5                  | 98                 |                    |                    | 15        |
| Network Operations                            | 700,625            | 584,596            | 480,268            | 346,627            | 765,416            | 16        |
| Access Expense                                | 361,932            | 326,017            | 251,679            | 202,074            | 156,927            | 17        |
| Depreciation and Amortization                 | 3,010,657          | 1,948,430          | 2,904,780          | 1,959,788          | 2,614,336          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>4,073,194</b>   | <b>2,859,047</b>   | <b>3,636,826</b>   | <b>2,508,489</b>   | <b>3,536,679</b>   | <b>19</b> |
| Marketing Expense                             | 362,232            | 220,153            | 155,684            | 110,086            | 288,450            | 20        |
| Services Expense                              | 993,044            | 748,325            | 727,553            | 435,016            | 1,071,931          | 21        |
| <b>Total Customer Operations</b>              | <b>1,355,276</b>   | <b>968,478</b>     | <b>883,237</b>     | <b>545,102</b>     | <b>1,360,381</b>   | <b>22</b> |
| Executive & Planning                          | 139,302            | 121,623            | 565,756            | 61,836             | 65,513             | 23        |
| General & Administrative                      | 598,223            | 492,283            | 544,654            | 1,026,309          | 1,969,123          | 24        |
| Provision - Uncollectible Notes Rec.          |                    |                    |                    |                    |                    | 25        |
| Other   |                    |                    |                    |                    |                    | 26        |
| <b>Total Corporate Operations</b>             | <b>737,525</b>     | <b>613,906</b>     | <b>1,110,411</b>   | <b>1,088,145</b>   | <b>2,034,636</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>9,380,748</b>   | <b>6,389,504</b>   | <b>3,673,805</b>   | <b>8,439,233</b>   | <b>11,722,634</b>  | <b>28</b> |
| Other Operating Income & Expenses             |                    |                    |                    |                    |                    | 29        |
| State & Local Income Taxes                    |                    |                    |                    |                    |                    | 30        |
| Other Taxes                                   | 736,895            | 724,799            | 584,964            | 541,761            | 712,662            | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>2,762,426</b>   | <b>7,734,978</b>   | <b>9,506,975</b>   | <b>4,028,697</b>   | <b>342,751</b>     | <b>32</b> |
| Investment Tax Credits - Net                  |                    |                    |                    |                    |                    | 33        |
| Federal Income Taxes                          | 745,508            | 2,388,821          | 2,664,339          | (162,040)          | (1,339,611)        | 34        |
| Provision - Def. Operating Income Taxes - Net | 386,160            | 362,852            | 591,900            | 705,925            | 476,964            | 35        |
| <b>Net Operating Income</b>                   | <b>\$1,630,758</b> | <b>\$4,983,305</b> | <b>\$6,250,736</b> | <b>\$3,484,812</b> | <b>\$1,205,398</b> | <b>36</b> |

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

|   | <b>2006</b>         | <b>2005</b>         | <b>2004</b>        | <b>2003</b>        | <b>2002</b>        |
|---|---------------------|---------------------|--------------------|--------------------|--------------------|
| 37 <b>Net Operating Income</b>                      | \$1,630,758         | \$4,983,305         | \$6,250,736        | \$3,484,812        | \$1,205,398        |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |                     |                     |                    |                    |                    |
| 38 Dividend Income                                  |                     |                     |                    |                    |                    |
| 39 Interest Income                                  |                     |                     |                    | 11,043             | 1,683              |
| 40 Income - Sinking and Other Funds                 |                     |                     |                    |                    |                    |
| 41 Allowance for Funds Used During Construction     | 6,050               | 7,884               | 5,192              | 22,937             | 44,890             |
| 42 Gains/Losses - Disposal of Property              |                     |                     |                    |                    |                    |
| 43 Equity in Earnings of Affiliated Companies       |                     |                     |                    |                    |                    |
| 44 Other Non-Operating Income                       |                     | (126,570)           |                    |                    |                    |
| 45 Special Charges                                  | 4,011               | 2,290               | 4,153              | 576                | 23,121             |
| 46 Total Non-Operating Income & Expenses            | 2,039               | (120,977)           | 1,039              | 33,404             | 23,452             |
| <b>NON-OPERATING TAXES</b>                          |                     |                     |                    |                    |                    |
| 47 Federal Income Taxes                             |                     |                     |                    |                    |                    |
| 48 Other  |                     |                     |                    |                    |                    |
| 49 Total Non-Operating Taxes                        |                     |                     |                    |                    |                    |
| 50 Income Available Before Interest Charges         | 1,632,797           | 4,862,329           | 6,251,775          | 3,518,216          | 1,228,850          |
| <b>INTEREST CHARGES</b>                             |                     |                     |                    |                    |                    |
| 51 Interest on Funded Debt                          |                     |                     |                    |                    |                    |
| 52 Other Interest Expense                           | (629,585)           | (303,216)           | 264,036            | 4,239,576          | 1,117,801          |
| 53 Total Interest Charges                           | (629,585)           | (303,216)           | 264,036            | 4,239,576          | 1,117,801          |
| 54 Income Before Extraordinary & Nonreg Items       | 2,262,382           | 5,165,544           | 5,987,739          | (721,360)          | 111,049            |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |                     |                     |                    |                    |                    |
| 55 Extraordinary Items                              |                     |                     |                    |                    |                    |
| 56 Nonregulated Revenues                            | 4,283               |                     |                    |                    |                    |
| 57 Total Extraordinary & Nonregulated Items         | 4,283               |                     |                    |                    |                    |
| 58 <b>Net Income</b>                                | <b>\$2,266,665</b>  | <b>\$5,165,544</b>  | <b>\$5,987,739</b> | <b>(\$721,360)</b> | <b>\$111,049</b>   |
| <hr/>   |                     |                     |                    |                    |                    |
| <b>RETAINED EARNINGS STATEMENT</b>                  |                     |                     |                    |                    |                    |
| Unappropriated Retained Earnings:                   |                     |                     |                    |                    |                    |
| 59 Beginning Year Balance                           | \$11,879,670        | \$6,714,118         | \$726,346          | \$1,447,706        | \$1,336,657        |
| 60 Transferred from Income                          | 2,266,665           | 5,165,544           | 5,987,739          | (721,360)          | 111,049            |
| 61 Appropriations                                   |                     |                     |                    |                    |                    |
| Dividends Declared:                                 |                     |                     |                    |                    |                    |
| 62 Preferred Stock                                  |                     |                     |                    |                    |                    |
| 63 Common Stock                                     |                     |                     |                    |                    |                    |
| 64 Adjustments                                      | (2)                 | 7                   | 32                 |                    |                    |
| 65 Ending Year Balance                              | 14,146,333          | 11,879,669          | 6,714,118          | 726,346            | 1,447,706          |
| 66 Appropriated/Undistr Affiliate Retained Earnings |                     |                     |                    |                    |                    |
| 67 <b>Total Retained Earnings</b>                   | <b>\$14,146,333</b> | <b>\$11,879,669</b> | <b>\$6,714,118</b> | <b>\$726,346</b>   | <b>\$1,447,706</b> |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$1,531,661  | \$1,961,438  | \$2,171,597  | \$2,170,171  | \$2,286,977  |
| 2 Accounts Receivable (Net)               | 529,215      | 537,904      | 563,895      | 1,127,960    | 825,806      |
| 3 Current Deferred Income Taxes           | 3,985        | 3,508        | 3,041        | 2,590        | 2,423        |
| 4 Other Current Assets                    | 166,122      | 180,290      | 290,156      | 548,243      | 136,827      |
| 5 Total Current Assets                    | 2,230,983    | 2,683,141    | 3,028,689    | 3,848,964    | 3,252,033    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 3,355,718    | 3,135,017    | 2,926,842    | 2,673,713    | 2,628,667    |
| 7 Unamortized Debt Issuance Costs         | 4,735        | 5,689        | 6,643        | 7,597        | 8,551        |
| 8 Deferred Charges                        |              |              |              |              |              |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 261,839      | 247,417      | 199,077      | 190,568      | 172,277      |
| 11 Other Non-Current Assets               | 2,119,174    | 2,011,505    | 1,827,519    | 1,661,455    | 1,470,684    |
| 12 Total Non-Current Assets               | 5,741,467    | 5,399,628    | 4,960,081    | 4,533,333    | 4,280,179    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 9,467,440    | 9,210,120    | 8,965,666    | 8,817,889    | 8,332,894    |
| 14 Less: Accumulated Depr and Amort.      | 6,473,630    | 6,020,600    | 5,843,542    | 5,416,800    | 4,979,760    |
| 15 Net Regulated Plant                    | 2,993,810    | 3,189,520    | 3,122,124    | 3,401,089    | 3,353,134    |
| 16 Total Assets & Other Debits            | \$10,966,260 | \$11,272,289 | \$11,110,895 | \$11,783,386 | \$10,885,346 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$553,931    | \$579,883    | \$261,665    | \$683,953    | \$240,084    |
| 18 Notes Payable                          |              |              |              |              |              |
| 19 Advanced Billings                      | 30,950       | 33,135       | 38,540       | 26,370       | 17,460       |
| 20 Customer Deposits                      |              |              |              | 140          | 140          |
| 21 Current Maturities - Long-Term Debt    |              |              |              |              |              |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | (25,621)     | (9,233)      | (234,159)    | 149,604      | (117,523)    |
| 24 Total Current Liabilities              | 559,260      | 603,786      | 66,046       | 860,067      | 140,161      |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 469,359      | 565,638      | 657,253      | 744,390      | 827,301      |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              |              |
| 27 Non-Current Deferred Taxes             | 165,799      | 220,682      | 275,061      | 289,027      | 238,298      |
| 28 Other Deferred Credits                 | 11,720       | 36,437       | 62,236       | 88,082       | 113,885      |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 1,153,066    | 1,067,295    | 986,176      | 901,876      | 830,904      |
| 31 Total Other Liab. and Def. Credits     | 1,330,585    | 1,324,414    | 1,323,473    | 1,278,985    | 1,183,087    |
| <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                  | 99,343       | 39,877       | 82,766       | 38,920       | (33,430)     |
| 35 Retained Earnings                      | 8,427,713    | 8,658,574    | 8,901,358    | 8,781,024    | 8,688,228    |
| 36 Total Stockholder's Equity             | 8,607,056    | 8,778,451    | 9,064,124    | 8,899,944    | 8,734,798    |
| 37 Total Liab. and Stockholder's Equity   | \$10,966,260 | \$11,272,289 | \$11,110,895 | \$11,783,386 | \$10,885,347 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>       | <b>2005</b>       | <b>2004</b>       | <b>2003</b>      | <b>2002</b>      |           |
|---|-------------------|-------------------|-------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                   |                   |                   |                  |                  |           |
| Local Network Services                        | \$462,433         | \$448,496         | \$462,331         | \$440,668        | \$448,803        | 1         |
| Network Access Services                       | 2,417,456         | 2,583,181         | 2,734,000         | 3,041,554        | 2,885,221        | 2         |
| Long Distance Network Services                |                   |                   |                   |                  |                  | 3         |
| Miscellaneous Revenues                        | 329,032           | 312,712           | 312,644           | 360,510          | 369,105          | 4         |
| Less: Uncollectible Revenues                  | (1,655)           | (2,639)           | 5,904             | (2,646)          | 76,292           | 5         |
| <b>Total Operating Revenues</b>               | <b>3,210,575</b>  | <b>3,347,028</b>  | <b>3,503,071</b>  | <b>3,845,378</b> | <b>3,626,837</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                   |                   |                   |                  |                  |           |
| Network Support Expenses                      | 2,256             | 898               | 25,323            | 21,106           | 32,259           | 7         |
| General Support Expenses                      | 311,753           | 275,984           | 269,978           | 300,888          | 349,759          | 8         |
| Central Office Switching                      | 266,133           | 234,361           | 212,231           | 159,714          | 188,403          | 9         |
| Operator Systems Expense                      |                   |                   |                   |                  |                  | 10        |
| Central Office Transmission                   | 95,133            | 107,091           | 96,556            | 164,186          | 150,994          | 11        |
| Info. Origination/Termination                 | 9,242             | 6,861             | 7,176             | 7,759            | 7,503            | 12        |
| Cable & Wire Facilities                       | 135,962           | 174,962           | 181,221           | 161,060          | 150,986          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>820,479</b>    | <b>800,157</b>    | <b>792,486</b>    | <b>814,713</b>   | <b>879,904</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | 4,293             | 5,628             | 5,876             | 1,535            | 480              | 15        |
| Network Operations                            | 396,436           | 361,504           | 470,183           | 345,495          | 321,133          | 16        |
| Access Expense                                | 34,416            | 38,026            | 30,876            | 16,350           | 9,070            | 17        |
| Depreciation and Amortization                 | 627,781           | 604,693           | 590,919           | 544,458          | 580,063          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,062,927</b>  | <b>1,009,852</b>  | <b>1,097,855</b>  | <b>907,838</b>   | <b>910,746</b>   | <b>19</b> |
| Marketing Expense                             | 64,678            | 68,205            | 85,904            | 110,701          | 109,160          | 20        |
| Services Expense                              | 307,067           | 354,263           | 328,151           | 342,406          | 327,083          | 21        |
| <b>Total Customer Operations</b>              | <b>371,745</b>    | <b>422,467</b>    | <b>414,056</b>    | <b>453,107</b>   | <b>436,243</b>   | <b>22</b> |
| Executive & Planning                          | 237,208           | 208,150           | 285,980           | 257,855          | 284,865          | 23        |
| General & Administrative                      | 776,966           | 896,440           | 853,610           | 804,541          | 843,676          | 24        |
| Provision - Uncollectible Notes Rec.          |                   |                   |                   |                  |                  | 25        |
| Other   |                   |                   |                   |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>1,014,174</b>  | <b>1,104,591</b>  | <b>1,139,590</b>  | <b>1,062,396</b> | <b>1,128,541</b> | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>3,269,325</b>  | <b>3,337,067</b>  | <b>3,443,986</b>  | <b>3,238,054</b> | <b>3,355,434</b> | <b>28</b> |
| Other Operating Income & Expenses             |                   |                   |                   |                  |                  | 29        |
| State & Local Income Taxes                    |                   |                   |                   |                  |                  | 30        |
| Other Taxes                                   | 129,985           | 143,130           | 152,710           | 160,127          | 151,291          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(188,734)</b>  | <b>(133,168)</b>  | <b>(93,625)</b>   | <b>447,197</b>   | <b>120,112</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                   |                   |                   |                  | 5,420            | 33        |
| Federal Income Taxes                          | 7,096             | 65,638            | (8,444)           | 154,686          | 10,753           | 34        |
| Provision - Def. Operating Income Taxes - Net | (110,640)         | (109,599)         | (70,252)          | (21,122)         | (57,845)         | 35        |
| <b>Net Operating Income</b>                   | <b>(\$85,191)</b> | <b>(\$89,207)</b> | <b>(\$14,929)</b> | <b>\$313,633</b> | <b>\$172,624</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | (\$85,191)  | (\$89,207)  | (\$14,929)  | \$313,633   | \$172,624   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  | 60,407      | 41,502      | 34,701      | 26,857      | 25,222      |
| 39 Interest Income                                  | 33,304      | 33,509      | 41,951      | 43,563      | 47,367      |
| 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       | 203,253     | 194,294     | 237,194     | (164,629)   | (350,830)   |
| 44 Other Non-Operating Income                       | 33,579      | 55,929      | (295,992)   | 20,566      | (125,663)   |
| 45 Special Charges                                  | (88,558)    | (89,864)    | (88,009)    | (123,251)   | 18,019      |
| 46 Total Non-Operating Income & Expenses            | 419,100     | 415,097     | 105,863     | 49,608      | (421,923)   |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | 20,892      | 24,636      | (88,842)    | 19,239      |             |
| 48 Other  |             |             |             |             |             |
| 49 Total Non-Operating Taxes                        | 20,892      | 24,636      | (88,842)    | 19,239      |             |
| 50 Income Available Before Interest Charges         | 313,018     | 301,254     | 179,776     | 344,002     | (249,299)   |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          | 25,735      | 30,430      | 34,938      | 39,207      | 43,245      |
| 52 Other Interest Expense                           | 954         | 954         | 954         | 954         | 1,565       |
| 53 Total Interest Charges                           | 26,689      | 31,384      | 35,892      | 40,161      | 44,810      |
| 54 Income Before Extraordinary & Nonreg Items       | 286,329     | 269,870     | 143,885     | 303,841     | (294,109)   |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             | (900)       |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             | (900)       |
| 58 <b>Net Income</b>                                | \$286,329   | \$269,870   | \$143,885   | \$303,841   | (\$295,009) |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$6,392,678 | \$6,829,755 | \$6,946,615 | \$6,689,190 | \$6,648,143 |
| 60 Transferred from Income                          | 83,076      | 75,576      | (93,310)    | 468,470     | 55,821      |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     | 517,193     | 512,653     | 23,551      | 211,045     | 14,774      |
| 64 Adjustments                                      | 1,999,040   |             |             |             |             |
| 65 Ending Year Balance                              | 7,957,601   | 6,392,678   | 6,829,755   | 6,946,615   | 6,689,190   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 470,112     | 2,265,896   | 2,071,603   | 1,834,409   | 1,999,038   |
| 67 <b>Total Retained Earnings</b>                   | \$8,427,713 | \$8,658,574 | \$8,901,358 | \$8,781,024 | \$8,688,228 |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$276,266   | \$358,679   | \$420,580   | \$363,180   | \$134,077   |
| 2 Accounts Receivable (Net)               | 246,958     | 222,401     | 222,449     | 217,777     | 839,210     |
| 3 Current Deferred Income Taxes           | 10,375      | 166,392     | 11,825      | 9,584       | 133,816     |
| 4 Other Current Assets                    | 905,580     | 1,121,127   | 1,007,263   | 927,630     | 820,069     |
| 5 Total Current Assets                    | 1,439,179   | 1,868,599   | 1,662,117   | 1,518,171   | 1,927,172   |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             | 1,365,345   | 1,864,819   | 1,829,061   | 1,700,018   | 1,644,645   |
| 7 Unamortized Debt Issuance Costs         | 5,929       | 7,165       | 8,401       | 9,637       | 10,873      |
| 8 Deferred Charges                        |             |             |             |             |             |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      | 427,300     | 201,249     | 330,465     | 334,168     | 238,047     |
| 11 Other Non-Current Assets               |             |             |             |             |             |
| 12 Total Non-Current Assets               | 1,798,574   | 2,073,233   | 2,167,927   | 2,043,823   | 1,893,565   |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 5,281,960   | 5,160,255   | 4,645,846   | 4,551,408   | 4,530,047   |
| 14 Less: Accumulated Depr and Amort.      | 3,348,004   | 3,180,437   | 2,935,573   | 2,748,929   | 2,621,238   |
| 15 Net Regulated Plant                    | 1,933,956   | 1,979,818   | 1,710,273   | 1,802,479   | 1,908,809   |
| 16 Total Assets & Other Debits            | \$5,171,709 | \$5,921,650 | \$5,540,317 | \$5,364,473 | \$5,729,546 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | 597,516     | 476,133     | \$161,650   | \$186,044   | \$122,475   |
| 18 Notes Payable                          |             |             |             |             | 382,566     |
| 19 Advanced Billings                      | 27,032      | 28,099      | 27,479      | 22,853      | 22,185      |
| 20 Customer Deposits                      |             |             |             |             |             |
| 21 Current Maturities - Long-Term Debt    | 113,109     | 105,417     | 98,142      | 91,485      | 85,290      |
| 22 Current Deferred Income Taxes          |             | 4,500       | 4,000       |             |             |
| 23 Other Current Liabilities              | (10,550)    | 86,303      | 25,930      | (15,745)    | (38,990)    |
| 24 Total Current Liabilities              | 727,107     | 700,452     | 317,201     | 284,637     | 573,526     |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         | 455,937     | 569,283     | 675,074     | 773,572     | 865,408     |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        |             |             |             |             |             |
| 27 Non-Current Deferred Taxes             | 260,547     | 243,382     | 242,271     | 250,400     | 267,866     |
| 28 Other Deferred Credits                 | 802,059     | 45,819      | 49,122      | 52,695      | 56,263      |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      | 437,644     | 571,131     | 557,801     | 544,945     | 647,842     |
| 31 Total Other Liab. and Def. Credits     | 1,500,250   | 860,332     | 849,194     | 848,040     | 971,971     |
| <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                  | (950,752)   |             |             |             |             |
| 35 Retained Earnings                      | 3,379,167   | 3,731,583   | 3,638,848   | 3,398,224   | 3,258,641   |
| 36 Total Stockholder's Equity             | 2,488,415   | 3,791,583   | 3,698,848   | 3,458,224   | 3,318,641   |
| 37 Total Liab. and Stockholder's Equity   | \$5,171,709 | \$5,921,650 | \$5,540,317 | \$5,364,473 | \$5,729,546 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>       | <b>2,005</b>     | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|-------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                   |                  |                  |                  |                  |           |
| Local Network Services                        | \$362,019         | 359,732          | \$363,762        | \$354,844        | \$356,651        | 1         |
| Network Access Services                       | 1,568,567         | 1,537,987        | 1,585,212        | 1,414,412        | 1,344,240        | 2         |
| Long Distance Network Services                | 2,310             | 2,926            | 2,593            | 3,193            | 5,361            | 3         |
| Miscellaneous Revenues                        | 75,954            | 73,895           | 77,088           | 81,925           | 78,116           | 4         |
| Less: Uncollectible Revenues                  | 1,200             | 1,200            | 1,200            | 1,200            | 1,200            | 5         |
| <b>Total Operating Revenues</b>               | <b>2,007,650</b>  | <b>1,973,340</b> | <b>2,027,455</b> | <b>1,853,174</b> | <b>1,783,168</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                   |                  |                  |                  |                  |           |
| Network Support Expenses                      | 11,123            | 12,673           | 8,260            | 8,005            | 7,020            | 7         |
| General Support Expenses                      | 94,642            | 104,435          | 90,809           | 91,875           | 85,181           | 8         |
| Central Office Switching                      | 332,086           | 345,757          | 389,788          | 336,638          | 317,231          | 9         |
| Operator Systems Expense                      |                   |                  |                  |                  |                  | 10        |
| Central Office Transmission                   |                   | 1,513            | 2,242            |                  |                  | 11        |
| Info. Origination/Termination                 |                   |                  |                  |                  |                  | 12        |
| Cable & Wire Facilities                       | 344,861           | 238,686          | 247,628          | 238,589          | 203,435          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>782,712</b>    | <b>703,064</b>   | <b>738,727</b>   | <b>675,107</b>   | <b>612,867</b>   | <b>14</b> |
| Other Plant, Property & Equipment             |                   |                  |                  |                  |                  | 15        |
| Network Operations                            | 19,681            | 20,453           | 18,667           | 21,323           | 30,735           | 16        |
| Access Expense                                | 30,872            | 29,930           | 27,816           | 21,309           | 11,426           | 17        |
| Depreciation and Amortization                 | 288,261           | 254,542          | 232,735          | 247,376          | 242,559          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>338,814</b>    | <b>304,925</b>   | <b>279,218</b>   | <b>290,008</b>   | <b>284,720</b>   | <b>19</b> |
| Marketing Expense                             | 17,080            | 18,861           | 15,845           | 16,691           | 16,323           | 20        |
| Services Expense                              | 157,093           | 150,974          | 159,810          | 156,420          | 183,799          | 21        |
| <b>Total Customer Operations</b>              | <b>174,173</b>    | <b>169,835</b>   | <b>175,655</b>   | <b>173,111</b>   | <b>200,122</b>   | <b>22</b> |
| Executive & Planning                          | 320,665           | 315,576          | 306,080          | 291,081          | 296,249          | 23        |
| General & Administrative                      | 397,407           | 291,383          | 258,462          | 271,042          | 239,665          | 24        |
| Provision - Uncollectible Notes Rec.          |                   |                  |                  |                  |                  | 25        |
| Other   |                   |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>718,072</b>    | <b>606,959</b>   | <b>564,542</b>   | <b>562,123</b>   | <b>535,914</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>2,013,771</b>  | <b>1,784,783</b> | <b>1,758,142</b> | <b>1,700,349</b> | <b>1,633,623</b> | <b>28</b> |
| Other Operating Income & Expenses             |                   |                  |                  |                  |                  | 29        |
| State & Local Income Taxes                    |                   |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 91,105            | 91,674           | 87,929           | 88,744           | 81,099           | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(97,226)</b>   | <b>96,883</b>    | <b>181,384</b>   | <b>64,081</b>    | <b>68,446</b>    | <b>32</b> |
| Investment Tax Credits - Net                  |                   |                  |                  |                  | 2,724            | 33        |
| Federal Income Taxes                          | (66,000)          | 30,500           | 47,000           | 9,500            | 8,130            | 34        |
| Provision - Def. Operating Income Taxes - Net | 33,815            | (29,186)         | (16,111)         | (31,007)         | (17,834)         | 35        |
| <b>Net Operating Income</b>                   | <b>(\$65,041)</b> | <b>\$95,569</b>  | <b>\$150,495</b> | <b>\$85,588</b>  | <b>\$80,874</b>  | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | (\$65,041)  | \$95,569    | \$150,495   | \$85,588    | \$80,874    |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  | 4,157       | 43,886      | 42,494      | 21,295      | 18,935      |
| 39 Interest Income                                  | 19,572      | 388         | 383         | 458         | 205         |
| 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       | (428,274)   | 35,758      | 127,094     | 52,873      | (358,808)   |
| 44 Other Non-Operating Income                       | 587,629     | 3,263       | 11,890      |             |             |
| 45 Special Charges                                  | (20,848)    | (3,392)     | (6,045)     | (9,574)     | (3,209)     |
| 46 Total Non-Operating Income & Expenses            | 203,932     | 86,687      | 187,906     | 84,200      | (336,459)   |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | 189,301     | 13,000      | 14,500      | 7,500       | 6,500       |
| 48 Other  | 16,833      |             |             |             |             |
| 49 Total Non-Operating Taxes                        | 206,134     | 13,000      | 14,500      | 7,500       | 6,500       |
| 50 Income Available Before Interest Charges         | (67,243)    | 169,256     | 323,901     | 162,288     | (262,085)   |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          | 43,937      | 51,100      | 57,799      | 64,021      | 69,827      |
| 52 Other Interest Expense                           | 1,236       | 1,421       | 1,478       | 18,120      | 23,249      |
| 53 Total Interest Charges                           | 45,173      | 52,521      | 59,277      | 82,141      | 93,076      |
| 54 Income Before Extraordinary & Nonreg Items       | (112,416)   | 116,735     | 264,624     | 80,147      | (355,161)   |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | (\$112,416) | \$116,735   | \$264,624   | \$80,147    | (\$355,161) |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$1,952,780 | \$1,895,803 | \$1,782,273 | \$1,695,563 | \$1,716,311 |
| 60 Transferred from Income                          | 315,858     | 80,977      | 137,530     | 27,274      | 3,647       |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     | 240,000     | 24,000      | 24,000      | 18,000      |             |
| 64 Adjustments                                      |             |             |             | 77,436      | (24,395)    |
| 65 Ending Year Balance                              | 2,028,638   | 1,952,780   | 1,895,803   | 1,782,273   | 1,695,563   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 1,350,529   | 1,778,803   | 1,743,045   | 1,615,951   | 1,563,078   |
| 67 <b>Total Retained Earnings</b>                   | \$3,379,167 | \$3,731,583 | \$3,638,848 | \$3,398,224 | \$3,258,641 |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$1,468,465 | \$1,155,980 | \$1,014,707 | \$815,032   | \$797,164   |
| 2 Accounts Receivable (Net)               | 390,916     | 427,210     | 506,129     | 343,236     | 479,674     |
| 3 Current Deferred Income Taxes           | 3,252       | 2,847       | 2,433       | 2,046       | 1,647       |
| 4 Other Current Assets                    | 190,335     | 613,935     | 633,028     | 1,988,752   | 1,948,541   |
| 5 Total Current Assets                    | 2,052,968   | 2,199,972   | 2,156,297   | 3,149,066   | 3,227,026   |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             | 2,950,159   | 3,129,140   | 3,255,092   | 2,279,893   | 2,238,759   |
| 7 Unamortized Debt Issuance Costs         | 4,464       | 4,978       | 5,492       | 6,006       | 6,519       |
| 8 Deferred Charges                        |             |             |             |             |             |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      | 123,972     | 18,341      | 18,341      | 22,193      | 9,491       |
| 11 Other Non-Current Assets               | 485,813     | 395,864     | 274,602     | 662,763     | 581,283     |
| 12 Total Non-Current Assets               | 3,564,408   | 3,548,323   | 3,553,527   | 2,970,855   | 2,836,052   |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 11,408,061  | 10,776,884  | 10,582,497  | 10,144,929  | 9,900,987   |
| 14 Less: Accumulated Depr and Amort.      | 8,509,735   | 7,998,703   | 7,531,078   | 6,968,894   | 6,379,498   |
| 15 Net Regulated Plant                    | 2,898,326   | 2,778,181   | 3,051,419   | 3,176,035   | 3,521,489   |
| 16 Total Assets & Other Debits            | \$8,515,702 | \$8,526,476 | \$8,761,243 | \$9,295,956 | \$9,584,567 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | \$79,184    | \$52,332    | \$62,992    | \$110,320   | \$180,973   |
| 18 Notes Payable                          |             | 375,000     | 375,000     | 375,000     | 375,000     |
| 19 Advanced Billings                      | 24,612      | 23,262      | 20,568      | 21,990      | 54,119      |
| 20 Customer Deposits                      |             |             |             |             |             |
| 21 Current Maturities - Long-Term Debt    |             |             |             |             |             |
| 22 Current Deferred Income Taxes          |             |             |             |             |             |
| 23 Other Current Liabilities              | 565,459     | 326,328     | 392,112     | 207,583     | 189,047     |
| 24 Total Current Liabilities              | 669,255     | 776,922     | 850,672     | 714,893     | 799,139     |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         | 392,682     | 462,923     | 529,776     | 627,941     | 758,593     |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        |             |             |             | 7,475       | 18,425      |
| 27 Non-Current Deferred Taxes             | 180,398     | 314,099     | 425,862     | 354,084     | 347,622     |
| 28 Other Deferred Credits                 | 374,196     | 62,328      | 61,102      | 104,126     | 96,647      |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      |             |             |             |             |             |
| 31 Total Other Liab. and Def. Credits     | 554,594     | 376,427     | 486,964     | 465,685     | 462,694     |
| <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                  | 14,373      | 153,175     | 228,806     | 112,705     | 57,331      |
| 35 Retained Earnings                      | 6,754,798   | 6,627,029   | 6,535,025   | 7,244,732   | 7,376,810   |
| 36 Total Stockholder's Equity             | 6,899,171   | 6,910,204   | 6,893,831   | 7,487,437   | 7,564,141   |
| 37 Total Liab. and Stockholder's Equity   | \$8,515,702 | \$8,526,476 | \$8,761,243 | \$9,295,956 | \$9,584,567 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$683,287        | \$662,807        | \$667,696        | \$643,065        | \$638,612        | 1         |
| Network Access Services                       | 1,575,681        | 1,725,660        | 1,962,975        | 2,063,863        | 2,165,117        | 2         |
| Long Distance Network Services                |                  |                  |                  |                  |                  | 3         |
| Miscellaneous Revenues                        | 418,530          | 433,905          | 462,459          | 441,977          | 320,311          | 4         |
| Less: Uncollectible Revenues                  | 6,000            | (12,312)         | 1,200            | 1,200            | 1,200            | 5         |
| <b>Total Operating Revenues</b>               | <b>2,671,498</b> | <b>2,834,684</b> | <b>3,091,930</b> | <b>3,147,705</b> | <b>3,122,840</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 7,881            | 5,788            | 6,189            | 6,195            | 8,178            | 7         |
| General Support Expenses                      | 152,413          | 159,087          | 96,366           | 102,164          | 103,446          | 8         |
| Central Office Switching                      | 126,539          | 111,393          | 124,520          | 100,094          | 156,601          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 98,782           | 89,189           | 93,599           | 60,284           | 51,271           | 11        |
| Info. Origination/Termination                 | 23,938           | 22,770           | 25,419           | 21,734           | 24,926           | 12        |
| Cable & Wire Facilities                       | 152,341          | 145,818          | 201,969          | 207,499          | 171,986          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>561,894</b>   | <b>534,045</b>   | <b>548,062</b>   | <b>497,970</b>   | <b>516,408</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | 1,387            | 2,545            |                  |                  |                  | 15        |
| Network Operations                            | 146,175          | 131,802          | 120,976          | 142,157          | 141,956          | 16        |
| Access Expense                                | 43,743           | 42,532           | 39,372           | 32,878           | 20,904           | 17        |
| Depreciation and Amortization                 | 542,864          | 562,132          | 581,557          | 606,729          | 644,903          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>734,169</b>   | <b>739,011</b>   | <b>741,905</b>   | <b>781,764</b>   | <b>807,763</b>   | <b>19</b> |
| Marketing Expense                             | 16,448           | 22,751           | 25,288           | 20,437           | 23,372           | 20        |
| Services Expense                              | 345,052          | 354,639          | 322,692          | 430,966          | 364,718          | 21        |
| <b>Total Customer Operations</b>              | <b>361,500</b>   | <b>377,390</b>   | <b>347,980</b>   | <b>451,403</b>   | <b>388,090</b>   | <b>22</b> |
| Executive & Planning                          | 316,331          | 324,306          | 459,602          | 481,080          | 474,023          | 23        |
| General & Administrative                      | 522,549          | 482,520          | 450,229          | 493,418          | 468,859          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>838,880</b>   | <b>806,826</b>   | <b>909,831</b>   | <b>974,498</b>   | <b>942,882</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>2,496,443</b> | <b>2,457,272</b> | <b>2,547,778</b> | <b>2,705,635</b> | <b>2,655,143</b> | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  |                  |                  |                  | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 142,930          | 142,555          | 149,127          | 144,375          | 142,803          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>32,125</b>    | <b>234,857</b>   | <b>395,025</b>   | <b>297,695</b>   | <b>324,894</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  | 7,475            | 10,950           | 11,037           | 33        |
| Federal Income Taxes                          | 71,729           | 140,924          | 135,695          | 119,466          | 134,105          | 34        |
| Provision - Def. Operating Income Taxes - Net | (62,603)         | (73,214)         | (49,493)         | (77,334)         | (85,811)         | 35        |
| <b>Net Operating Income</b>                   | <b>\$22,999</b>  | <b>\$167,147</b> | <b>\$316,298</b> | <b>\$266,513</b> | <b>\$287,637</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$22,999    | \$167,147   | \$316,298   | \$266,513   | \$287,637   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  | 297         | 445         |             | 167         | 93          |
| 39 Interest Income                                  | 23,515      | 12,546      | 6,946       | 7,436       | 18,746      |
| 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       | 55,707      | 152,815     | (368,345)   | (224,175)   | (162,607)   |
| 44 Other Non-Operating Income                       | 456,008     | 10,375      | (429,788)   | (65,919)    | 75,789      |
| 45 Special Charges                                  | 8,114       | 8,515       | 8,525       | 93,118      | 43,338      |
| 46 Total Non-Operating Income & Expenses            | 527,413     | 167,666     | (799,712)   | (375,609)   | (97,703)    |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | 151,444     | (9,922)     | (30,904)    | (16,515)    | 64,214      |
| 48 Other  | 21,954      |             |             |             |             |
| 49 Total Non-Operating Taxes                        | 173,398     | (9,922)     | (30,904)    | (16,515)    | 64,214      |
| 50 Income Available Before Interest Charges         | 377,014     | 344,735     | (452,510)   | (92,581)    | 125,720     |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          | 21,229      | 24,618      | 29,183      | 38,879      | 49,419      |
| 52 Other Interest Expense                           | 516         | 613         | 514         | 618         | 1,485       |
| 53 Total Interest Charges                           | 21,745      | 25,231      | 29,697      | 39,497      | 50,904      |
| 54 Income Before Extraordinary & Nonreg Items       | 355,269     | 319,504     | (482,207)   | (132,078)   | 74,816      |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$355,269   | \$319,504   | (\$482,207) | (\$132,078) | \$74,816    |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$7,368,674 | \$7,429,485 | \$7,770,847 | \$7,678,750 | \$7,827,796 |
| 60 Transferred from Income                          | 299,562     | 166,689     | (113,862)   | 92,097      | 237,423     |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     | 227,500     | 227,500     | 227,500     |             |             |
| 64 Adjustments                                      |             |             |             |             | (386,469)   |
| 65 Ending Year Balance                              | 7,440,736   | 7,368,674   | 7,429,485   | 7,770,847   | 7,678,750   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | (685,938)   | (741,645)   | (894,460)   | (526,115)   | (301,940)   |
| 67 <b>Total Retained Earnings</b>                   | \$6,754,798 | \$6,627,029 | \$6,535,025 | \$7,244,732 | \$7,376,810 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$3,197,401  | \$2,082,330  | \$1,993,805  | \$3,496,122  | \$2,859,600  |
| 2 Accounts Receivable (Net)               | 758,853      | 692,898      | 792,681      | 754,952      | 819,610      |
| 3 Current Deferred Income Taxes           | 10,627       | 9,288        | 8,116        | 7,077        | 5,812        |
| 4 Other Current Assets                    | 273,034      | 263,432      | 257,823      | 270,542      | 261,319      |
| 5 Total Current Assets                    | 4,239,915    | 3,047,948    | 3,052,425    | 4,528,693    | 3,946,341    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 2,098,363    | 2,277,031    | 2,919,063    | 2,528,450    | 2,578,358    |
| 7 Unamortized Debt Issuance Costs         | 7,884        | 8,587        | 9,290        | 9,993        | 10,696       |
| 8 Deferred Charges                        |              |              |              |              |              |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 701,011      | 310,696      | 291,272      | 279,959      | 193,046      |
| 11 Other Non-Current Assets               | 1,416,690    | 1,416,690    | 1,416,690    | 1,416,690    | 1,567,489    |
| 12 Total Non-Current Assets               | 4,223,948    | 4,013,004    | 4,636,315    | 4,235,092    | 4,349,589    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 20,408,608   | 19,758,160   | 19,053,674   | 18,849,416   | 18,283,968   |
| 14 Less: Accumulated Depr and Amort.      | 14,810,807   | 13,735,668   | 12,658,496   | 11,676,779   | 10,445,971   |
| 15 Net Regulated Plant                    | 5,597,801    | 6,022,492    | 6,395,178    | 7,172,637    | 7,837,997    |
| 16 Total Assets & Other Debits            | \$14,061,664 | \$13,083,444 | \$14,083,918 | \$15,936,422 | \$16,133,927 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$295,879    | \$262,273    | \$351,364    | \$387,930    | \$395,114    |
| 18 Notes Payable                          |              |              |              |              |              |
| 19 Advanced Billings                      | (96)         |              | 55           |              |              |
| 20 Customer Deposits                      |              |              |              |              |              |
| 21 Current Maturities - Long-Term Debt    |              |              |              |              |              |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 683,327      | 36,161       | (9,748)      | 1,678,157    | 22,756       |
| 24 Total Current Liabilities              | 979,110      | 298,434      | 341,671      | 2,066,087    | 417,870      |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 2,011,737    | 2,254,618    | 2,484,455    | 2,701,932    | 2,907,745    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              | 5,227        |
| 27 Non-Current Deferred Taxes             | 326,620      | 556,204      | 724,940      | 596,850      | 607,869      |
| 28 Other Deferred Credits                 | 1,413,451    | 254,327      | 250,881      | 247,825      | 22,648       |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 579,600      | 519,100      | 458,600      | 398,100      | 337,600      |
| 31 Total Other Liab. and Def. Credits     | 2,319,671    | 1,329,631    | 1,434,421    | 1,242,775    | 973,344      |
| <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                  | (840,336)    | (554,622)    | (16,774)     | (486,697)    | (536,740)    |
| 35 Retained Earnings                      | 9,527,282    | 9,691,183    | 9,775,945    | 10,348,125   | 12,307,508   |
| 36 Total Stockholder's Equity             | 8,751,146    | 9,200,761    | 9,823,371    | 9,925,628    | 11,834,968   |
| 37 Total Liab. and Stockholder's Equity   | \$14,061,664 | \$13,083,444 | \$14,083,918 | \$15,936,422 | \$16,133,927 |

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

| INCOME STATEMENT                              | 2006             | 2005             | 2004             | 2003             | 2002             |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$1,236,178      | \$1,227,092      | \$1,209,406      | \$1,141,456      | \$977,696        | 1         |
| Network Access Services                       | 3,287,332        | 3,373,552        | 3,244,425        | 3,426,589        | 3,323,349        | 2         |
| Long Distance Network Services                |                  |                  |                  |                  |                  | 3         |
| Miscellaneous Revenues                        | 578,326          | 631,970          | 631,295          | 667,004          | 666,528          | 4         |
| Less: Uncollectible Revenues                  | 20,750           | 24,250           | 6,300            | 13,100           | 125,600          | 5         |
| <b>Total Operating Revenues</b>               | <b>5,081,086</b> | <b>5,208,364</b> | <b>5,078,826</b> | <b>5,221,949</b> | <b>4,841,973</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 15,856           | 22,061           | 22,817           | 28,431           | 35,497           | 7         |
| General Support Expenses                      | 231,615          | 206,903          | 187,289          | 208,465          | 212,325          | 8         |
| Central Office Switching                      | 247,716          | 218,318          | 222,844          | 223,648          | 192,916          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 233,354          | 208,132          | 145,133          | 124,855          | 108,218          | 11        |
| Info. Origination/Termination                 | 35,208           | 56,341           | 34,969           | 33,042           | 20,782           | 12        |
| Cable & Wire Facilities                       | 225,764          | 229,557          | 217,081          | 333,911          | 246,703          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>989,513</b>   | <b>941,312</b>   | <b>830,133</b>   | <b>952,352</b>   | <b>816,441</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | 4,852            | 2,989            | 8,463            | 5,626            | 5,771            | 15        |
| Network Operations                            | 255,868          | 237,840          | 235,800          | 208,885          | 191,303          | 16        |
| Access Expense                                | 88,954           | 79,652           | 67,307           | 55,471           | 36,720           | 17        |
| Depreciation and Amortization                 | 1,496,254        | 1,378,289        | 1,360,665        | 1,331,003        | 1,260,520        | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,845,928</b> | <b>1,698,770</b> | <b>1,672,235</b> | <b>1,600,985</b> | <b>1,494,314</b> | <b>19</b> |
| Marketing Expense                             | 34,109           | 28,831           | 28,273           | 32,088           | 29,081           | 20        |
| Services Expense                              | 510,235          | 491,482          | 489,140          | 527,549          | 524,707          | 21        |
| <b>Total Customer Operations</b>              | <b>544,344</b>   | <b>520,313</b>   | <b>517,413</b>   | <b>559,637</b>   | <b>553,788</b>   | <b>22</b> |
| Executive & Planning                          | 453,877          | 551,986          | 545,689          | 578,515          | 554,503          | 23        |
| General & Administrative                      | 839,532          | 777,328          | 776,905          | 803,746          | 788,739          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>1,293,409</b> | <b>1,329,314</b> | <b>1,322,594</b> | <b>1,382,261</b> | <b>1,343,242</b> | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>4,673,194</b> | <b>4,489,709</b> | <b>4,342,375</b> | <b>4,495,235</b> | <b>4,207,785</b> | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  |                  |                  |                  | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 387,838          | 326,038          | 306,925          | 300,742          | 279,265          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>20,054</b>    | <b>392,617</b>   | <b>429,526</b>   | <b>425,972</b>   | <b>354,923</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                  | 5,227            | 5,555            | 33        |
| Federal Income Taxes                          | 190,756          | 279,769          | 217,205          | 67,902           | 33,639           | 34        |
| Provision - Def. Operating Income Taxes - Net | (633,971)        | (188,834)        | (125,316)        | (48,350)         | (45,077)         | 35        |
| <b>Net Operating Income</b>                   | <b>\$463,269</b> | <b>\$301,682</b> | <b>\$337,637</b> | <b>\$411,647</b> | <b>\$371,916</b> | <b>36</b> |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| 37 <b>Net Operating Income</b>                      | \$463,269    | \$301,682    | \$337,637    | \$411,647    | \$371,916    |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |              |              |              |              |              |
| 38 Dividend Income                                  |              | 18,655       | 12,900       | 7,266        | 8,818        |
| 39 Interest Income                                  | 115,511      | 35,111       | 14,846       | 53,164       | 73,815       |
| 40 Income - Sinking and Other Funds                 |              |              |              |              |              |
| 41 Allowance for Funds Used During Construction     |              |              |              |              |              |
| 42 Gains/Losses - Disposal of Property              | (28,583)     |              |              |              |              |
| 43 Equity in Earnings of Affiliated Companies       | (399,775)    | (15,478)     | 22,418       | 13,375       | (52,594)     |
| 44 Other Non-Operating Income                       | 588,836      | (111,631)    | (856,224)    | (139,106)    | (119,010)    |
| 45 Special Charges                                  | 94,341       | 106,524      | 111,273      | 236,657      | 54,351       |
| 46 Total Non-Operating Income & Expenses            | 181,648      | (179,867)    | (917,333)    | (301,958)    | (143,322)    |
| <b>NON-OPERATING TAXES</b>                          |              |              |              |              |              |
| 47 Federal Income Taxes                             | 567,840      | (54,757)     | (284,605)    |              | 3,423        |
| 48 Other  |              |              |              |              |              |
| 49 Total Non-Operating Taxes                        | 567,840      | (54,757)     | (284,605)    | (1,799)      | 3,423        |
| 50 Income Available Before Interest Charges         | 77,077       | 176,572      | (295,091)    | 111,488      | 225,171      |
| <b>INTEREST CHARGES</b>                             |              |              |              |              |              |
| 51 Interest on Funded Debt                          | 141,675      | 154,806      | 167,246      | 178,985      | 190,034      |
| 52 Other Interest Expense                           | 703          | 703          | 703          | 703          | 703          |
| 53 Total Interest Charges                           | 142,378      | 155,509      | 167,949      | 179,688      | 190,737      |
| 54 Income Before Extraordinary & Nonreg Items       | (65,301)     | 21,063       | (463,040)    | (68,200)     | 34,434       |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |              |              |              |              |              |
| 55 Extraordinary Items                              |              |              |              |              |              |
| 56 Nonregulated Revenues                            |              |              |              |              |              |
| 57 Total Extraordinary & Nonregulated Items         |              |              |              |              |              |
| 58 <b>Net Income</b>                                | (\$65,301)   | \$21,063     | (\$463,040)  | (\$68,200)   | \$34,434     |
| <b>RETAINED EARNINGS STATEMENT</b>                  |              |              |              |              |              |
| Unappropriated Retained Earnings:                   |              |              |              |              |              |
| 59 Beginning Year Balance                           | \$10,573,014 | \$10,642,298 | \$11,236,895 | \$13,209,653 | \$13,231,765 |
| 60 Transferred from Income                          | 334,474      | 36,541       | (485,458)    | (81,575)     | 87,028       |
| 61 Appropriations                                   |              |              |              |              |              |
| Dividends Declared:                                 |              |              |              |              |              |
| 62 Preferred Stock                                  |              |              |              |              |              |
| 63 Common Stock                                     | 98,600       | 105,825      | 109,140      | 1,590,555    | 109,140      |
| 64 Adjustments                                      |              |              |              | (300,628)    |              |
| 65 Ending Year Balance                              | 10,808,888   | 10,573,014   | 10,642,297   | 11,236,895   | 13,209,653   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | (1,281,606)  | (881,831)    | (866,353)    | (888,771)    | (902,146)    |
| 67 <b>Total Retained Earnings</b>                   | \$9,527,282  | \$9,691,183  | \$9,775,944  | \$10,348,124 | \$12,307,507 |

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

|   | 2006             | 2005             | 2004             | 2003             | 2002             |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>CURRENT ASSETS</b>                     |                  |                  |                  |                  |                  |
| 1 Cash and Temporary Cash Investments     | \$483,112,697    | \$485,196,722    | \$446,999,354    | \$417,323,246    | \$554,860,952    |
| 2 Accounts Receivable (Net)               | 1,076,621,277    | 1,131,656,951    | 991,023,687      | 1,298,440,854    | 1,744,695,280    |
| 3 Current Deferred Income Taxes           | -                | -                | -                | 330,695,656      | 330,695,656      |
| 4 Other Current Assets                    | 232,610,763      | 253,524,635      | 251,028,173      | 355,210,241      | 520,300,136      |
| 5 Total Current Assets                    | 1,792,344,737    | 1,870,378,308    | 1,689,051,214    | 2,401,669,998    | 3,150,552,025    |
| <b>NON-CURRENT ASSETS</b>                 |                  |                  |                  |                  |                  |
| 6 Investments                             | 339,271,176      | 351,776,957      | 348,241,322      | 346,314,547      | 339,498,428      |
| 7 Unamortized Debt Issuance Costs         | 11,829,042       | 13,135,984       | 14,442,926       | 60,845,263       | 104,653,422      |
| 8 Deferred Charges                        | 166,620,142      | 237,627,340      | 663,250,695      | 663,791,200      | 699,240,464      |
| 9 Other Jurisdictional Assets - Net       | -                | -                | -                | -                | -                |
| 10 Non-Current Deferred Income Taxes      | -                | -                | -                | 1,610,486,098    | 1,610,486,098    |
| 11 Other Non-Current Assets               | 416,714,603      | 623,850,130      | 623,659,815      | 590,429,393      | 323,720,868      |
| 12 Total Non-Current Assets               | 934,434,963      | 1,226,390,411    | 1,649,594,757    | 3,271,866,500    | 3,077,599,280    |
| <b>REGULATED PLANT</b>                    |                  |                  |                  |                  |                  |
| 13 Total Telecommunications Plant         | 30,211,292,983   | 29,813,995,195   | 29,952,671,370   | 29,402,800,831   | 28,763,731,388   |
| 14 Less: Accumulated Depr and Amort.      | 19,706,082,848   | 19,156,188,554   | 18,458,681,637   | 17,018,380,386   | 16,134,687,615   |
| 15 Net Regulated Plant                    | 10,505,210,134   | 10,657,806,641   | 11,493,989,733   | 12,384,420,445   | 12,629,043,772   |
| 16 Total Assets & Other Debits            | \$13,231,989,834 | \$13,754,575,360 | \$14,832,635,704 | \$18,057,956,943 | \$18,857,195,077 |
| <b>CURRENT LIABILITIES</b>                |                  |                  |                  |                  |                  |
| 17 Accounts Payable                       | 787,374,877      | \$1,043,506,716  | \$1,268,556,011  | \$1,966,328,646  | \$1,756,044,346  |
| 18 Notes Payable                          | 3,625,791,686    | 2,718,118,680    | 2,653,800,365    | 2,047,301,830    | 2,118,991,942    |
| 19 Advanced Billings                      | 159,855,355      | 177,804,267      | 186,864,122      | 194,165,577      | 206,443,706      |
| 20 Customer Deposits                      | 7,647,459        | 8,040,691        | 8,868,967        | 9,457,968        | 6,554,746        |
| 21 Current Maturities - Long-Term Debt    | 1,536,153        | 1,724,779        | 201,102,500      | 150,927,624      | 350,599,661      |
| 22 Current Deferred Income Taxes          | 38,651,334       | 11,703,396       | (88,503,431)     | 389,362,615      | 519,046,835      |
| 23 Other Current Liabilities              | 625,035,271      | 661,010,190      | 789,868,419      | 968,037,225      | 1,132,837,679    |
| 24 Total Current Liabilities              | 5,245,892,135    | 4,621,908,718    | 5,020,556,954    | 5,725,581,486    | 6,090,518,916    |
| <b>LONG-TERM DEBT</b>                     |                  |                  |                  |                  |                  |
| 25 Long-Term Debt                         | 2,900,371,877    | 2,899,241,490    | 2,896,511,832    | 3,789,734,370    | 4,135,076,018    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |                  |                  |                  |                  |                  |
| 26 Unamortized ITC                        | 23,250,166       | 25,453,954       | 27,913,210       | 87,775,509       | 90,801,717       |
| 27 Non-Current Deferred Taxes             | 339,837,364      | 240,464,439      | 469,634,602      | 2,042,553,119    | 1,620,923,715    |
| 28 Other Deferred Credits                 | 216,359,870      | 277,529,734      | 867,779,985      | 692,252,369      | 756,938,515      |
| 29 Other Jurisdictional Differences - Net | -                | -                | -                | -                | -                |
| 30 Other Liabilities                      | 3,563,319,616    | 4,325,380,709    | 4,411,067,491    | 3,873,116,837    | 3,676,872,858    |
| 31 Total Other Liab. and Def. Credits     | 4,142,767,015    | 4,868,828,836    | 5,776,395,288    | 6,695,697,835    | 6,145,536,805    |
| <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                  | 2,135,146,468    | 2,135,167,390    | 1,572,168,430    | 1,563,034,548    | 1,562,282,886    |
| 35 Retained Earnings                      | (1,193,187,661)  | (771,571,074)    | (433,996,798)    | 282,908,705      | 922,780,450      |
| 36 Total Stockholder's Equity             | 942,958,806      | 1,364,596,316    | 1,139,171,632    | 1,846,943,253    | 2,486,063,336    |
| 37 Total Liab. and Stockholder's Equity   | \$13,231,989,834 | \$13,754,575,360 | \$14,832,635,705 | \$18,057,956,943 | \$18,857,195,075 |

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

| INCOME STATEMENT                              | 2006                   | 2005                   | 2004                   | 2003                     | 2002                   |           |
|---|------------------------|------------------------|------------------------|--------------------------|------------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                        |                        |                        |                          |                        |           |
| Local Network Services                        | \$2,638,058,413        | \$2,831,555,948        | \$3,124,298,889        | \$3,501,267,825          | \$3,926,332,145        | 1         |
| Network Access Services                       | 2,139,796,795          | 2,130,776,546          | 2,093,739,614          | 2,180,495,052            | 2,246,121,864          | 2         |
| Long Distance Network Services                | 148,290,976            | 169,621,587            | 175,930,752            | 203,044,244              | 177,393,958            | 3         |
| Miscellaneous Revenues                        | 955,358,465            | 1,179,867,751          | 1,375,783,292          | 1,226,463,025            | 1,293,046,426          | 4         |
| Less: Uncollectible Revenues                  | 36,486,641             | 76,727,971             | 44,288,643             | 188,327,109              | 334,028,454            | 5         |
| <b>Total Operating Revenues</b>               | <b>5,845,018,008</b>   | <b>6,235,093,862</b>   | <b>6,725,463,904</b>   | <b>6,922,943,037</b>     | <b>7,308,865,938</b>   | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                        |                        |                        |                          |                        |           |
| Network Support Expenses                      | 18,813,074             | 16,154,193             | 13,581,769             | 10,433,721               | 9,669,049              | 7         |
| General Support Expenses                      | 446,246,690            | 438,297,111            | 444,467,533            | 413,297,187              | 387,567,239            | 8         |
| Central Office Switching                      | 234,734,485            | 238,355,838            | 234,667,431            | 216,210,784              | 222,488,225            | 9         |
| Operator Systems Expense                      | 398,739                | 588,608                | 361,877                | 458,277                  | 667,709                | 10        |
| Central Office Transmission                   | 123,691,378            | 122,196,000            | 117,333,027            | 114,535,630              | 111,273,278            | 11        |
| Info. Origination/Termination                 | 288,148,812            | 266,292,088            | 284,475,642            | 286,861,301              | 243,396,880            | 12        |
| Cable & Wire Facilities                       | 1,063,067,738          | 1,052,013,193          | 1,032,229,578          | 951,062,052              | 816,485,658            | 13        |
| <b>Total Plant Specific Operations</b>        | <b>2,175,100,916</b>   | <b>2,133,897,030</b>   | <b>2,127,116,857</b>   | <b>1,992,858,952</b>     | <b>1,791,548,037</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | 9,720,970              | 13,608,186             | 8,236,986              | 7,759,606                | 2,178,272              | 15        |
| Network Operations                            | 813,321,153            | 789,284,818            | 742,166,535            | 816,734,549              | 657,463,656            | 16        |
| Access Expense                                | 149,127,714            | 162,788,588            | 152,288,738            | 158,872,026              | 219,789,450            | 17        |
| Depreciation and Amortization                 | 1,526,072,772          | 1,651,688,532          | 2,119,099,426          | 2,153,299,570            | 2,155,679,557          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>2,498,242,609</b>   | <b>2,617,370,124</b>   | <b>3,021,791,685</b>   | <b>3,136,665,751</b>     | <b>3,035,110,935</b>   | <b>19</b> |
| Marketing Expense                             | 300,166,330            | 287,128,186            | 287,278,825            | 290,555,549              | 293,856,121            | 20        |
| Services Expense                              | 627,354,738            | 657,799,798            | 647,312,076            | 671,706,370              | 589,947,025            | 21        |
| <b>Total Customer Operations</b>              | <b>927,521,069</b>     | <b>944,927,984</b>     | <b>934,590,901</b>     | <b>962,261,920</b>       | <b>883,803,146</b>     | <b>22</b> |
| Executive & Planning                          | 24,238,692             | 28,734,704             | 31,724,700             | 50,534,063               | 50,611,650             | 23        |
| General & Administrative                      | 1,007,273,202          | 952,919,393            | 1,045,541,255          | 1,870,511,059            | 1,502,982,482          | 24        |
| Provision - Uncollectible Notes Rec.          | 0                      |                        | 131                    | 66                       | 26                     | 25        |
| Other   |                        |                        |                        |                          |                        | 26        |
| <b>Total Corporate Operations</b>             | <b>1,031,511,894</b>   | <b>981,654,098</b>     | <b>1,077,266,086</b>   | <b>1,921,045,187</b>     | <b>1,553,594,158</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>6,632,376,487</b>   | <b>6,677,849,236</b>   | <b>7,160,765,528</b>   | <b>8,012,831,809</b>     | <b>7,264,056,277</b>   | <b>28</b> |
| Other Operating Income & Expenses             | 137,937,504            | 310,815,003            | (510,276)              | (9,898,489)              | (4,213,759)            | 29        |
| State & Local Income Taxes                    | 0                      | 219,488                | 19,154                 | (142,869)                | (86,206)               | 30        |
| Other Taxes                                   | 524,368,813            | 506,345,895            | 571,226,059            | 669,934,466              | 575,184,402            | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(1,173,789,787)</b> | <b>(638,505,754)</b>   | <b>(1,007,057,114)</b> | <b>(1,769,578,858)</b>   | <b>(534,502,293)</b>   | <b>32</b> |
| Investment Tax Credits - Net                  | 2,203,788              | 2,459,256              | 9,955,905              | 3,026,208                | 6,096,257              | 33        |
| Federal Income Taxes                          | (364,732,063)          | (99,910,758)           | (545,030,393)          | (562,813,469)            | (255,441,180)          | 34        |
| Provision - Def. Operating Income Taxes - Net | (87,592,454)           | (176,037,655)          | 138,266,147            | (112,017,582)            | 43,128,778             | 35        |
| <b>Net Operating Income</b>                   | <b>(\$719,261,482)</b> | <b>(\$360,098,085)</b> | <b>(\$590,336,962)</b> | <b>(\$1,091,721,598)</b> | <b>(\$316,093,634)</b> | <b>36</b> |

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

|   | 2006            | 2005            | 2004            | 2003              | 2002            |
|---|-----------------|-----------------|-----------------|-------------------|-----------------|
| 37 <b>Net Operating Income</b>                  | (\$719,261,482) | (\$360,098,085) | (\$590,336,962) | (\$1,091,721,598) | (\$316,093,634) |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>      |                 |                 |                 |                   |                 |
| 38 Dividend Income                              |                 |                 |                 |                   |                 |
| 39 Interest Income                              | 23,713,351      | 14,365,373      | 17,108,408      | 7,277,249         | 16,397,658      |
| 40 Income - Sinking and Other Funds             |                 |                 |                 |                   |                 |
| 41 Allowance for Funds Used During Construction | 20,569,756      | 18,146,469      | 8,796,150       | 12,275,118        | 29,361,097      |
| 42 Gains/Losses - Disposal of Property          | 726             | 3,465           | (8,553)         | (14,484)          | (1,930)         |
| 43 Equity in Earnings of Affiliated Companies   | 30,955,270      | 49,605,307      | 120,585,855     | 45,716,898        | 75,465,326      |
| 44 Other Non-Operating Income                   | 2,593,998       | 682,182         | 24,684,119      | 70,659,139        | (3,896,042)     |
| 45 Special Charges                              | 11,909,970      | 16,754,736      | 16,571,519      | 9,848,682         | 12,685,609      |
| 46 Total Non-Operating Income & Expenses        | 65,923,131      | 66,048,059      | 154,594,460     | 126,065,238       | 104,640,500     |
| <b>NON-OPERATING TAXES</b>                      |                 |                 |                 |                   |                 |
| 47 Federal Income Taxes                         | 6,967,350       | (2,949,558)     | 20,401,044      | 31,616,684        | 7,991,872       |
| 48 Other  | 4,776,000       | 24,542,257      | 2,635,409       | 5,860,665         | 5,787,867       |
| 49 Total Non-Operating Taxes                    | 11,743,350      | 21,592,699      | 23,036,453      | 37,477,349        | 13,779,739      |
| 50 Income Available Before Interest Charges     | (665,081,701)   | (315,642,725)   | (458,778,955)   | (1,003,133,709)   | (225,232,873)   |
| <b>INTEREST CHARGES</b>                         |                 |                 |                 |                   |                 |
| 51 Interest on Funded Debt                      | 202,105,540     | 204,288,787     | 228,935,828     | 295,354,786       | 285,340,325     |
| 52 Other Interest Expense                       | 186,389,559     | 144,820,022     | 72,074,355      | 71,938,035        | 85,553,796      |
| 53 Total Interest Charges                       | 388,495,098     | 349,108,809     | 301,010,183     | 367,292,821       | 370,894,121     |
| 54 Income Before Extraordinary & Nonreg Items   | (1,053,576,799) | (664,751,534)   | (759,789,138)   | (1,370,426,530)   | (596,126,994)   |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>         |                 |                 |                 |                   |                 |
| 55 Extraordinary Items                          |                 |                 |                 | (453,043,004)     | 86,688          |
| 56 Nonregulated Revenues                        | 234,773,488     | 239,818,549     | 216,055,772     | 225,260,602       | 284,395,233     |
| 57 Total Extraordinary & Nonregulated Items     | 234,773,488     | 239,818,549     | 216,055,772     | (227,782,402)     | 284,481,921     |
| 58 <b>Net Income</b>                            | (\$818,803,311) | (\$424,932,985) | (\$543,733,366) | (\$1,598,208,932) | (\$311,645,073) |

**RETAINED EARNINGS STATEMENT**

|   |                   |                 |                 |               |                 |
|---|-------------------|-----------------|-----------------|---------------|-----------------|
| Unappropriated Retained Earnings:                   |                   |                 |                 |               |                 |
| 59 Beginning Year Balance                           | (\$850,089,433)   | (\$462,909,851) | \$300,371,836   | \$920,743,548 | \$1,956,748,318 |
| 60 Transferred from Income                          | (849,758,581)     | (474,538,291)   | (590,109,551)   | (672,622,891) | (326,949,845)   |
| 61 Appropriations                                   |                   |                 |                 |               |                 |
| Dividends Declared:                                 |                   |                 |                 |               |                 |
| 62 Preferred Stock                                  |                   |                 |                 |               |                 |
| 63 Common Stock                                     |                   |                 |                 | 180,000,000   | 190,000,000     |
| 64 Adjustments                                      | (397,186,724)     | (87,358,709)    | (173,172,136)   | 232,251,179   | (519,054,925)   |
| 65 Ending Year Balance                              | (1,302,661,290)   | (850,089,433)   | (462,909,851)   | 300,371,836   | 920,743,548     |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 109,473,629       | 78,518,359      | 28,913,052      | (17,463,132)  | 2,036,901       |
| 67 <b>Total Retained Earnings</b>                   | (\$1,193,187,661) | (\$771,571,074) | (\$433,996,798) | \$282,908,704 | \$922,780,449   |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$107,069   | \$86,553    | \$51,015    | \$101,227   | \$129,906   |
| 2 Accounts Receivable (Net)               | 269,976     | 276,465     | 288,792     | 308,423     | 281,233     |
| 3 Current Deferred Income Taxes           | 2,230       | 3,814       | 4,307       |             |             |
| 4 Other Current Assets                    | 164,201     | 153,766     | 160,932     | 169,850     | 188,415     |
| 5 Total Current Assets                    | 543,476     | 520,598     | 505,046     | 579,500     | 599,554     |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             | 4,331,285   | 3,093,902   | 3,672,254   | 4,345,136   | 3,885,083   |
| 7 Unamortized Debt Issuance Costs         | 7,548       | 8,735       | 9,922       | 11,109      | 12,295      |
| 8 Deferred Charges                        | 55,504      | 93,286      | 64,374      | 33,564      | 23,124      |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      | 669,070     | 185,659     | 173,738     | 136,726     | 73,917      |
| 11 Other Non-Current Assets               | 7,042       | 5,517       | 4,044       | 2,600       |             |
| 12 Total Non-Current Assets               | 5,070,449   | 3,387,099   | 3,924,332   | 4,529,135   | 3,994,419   |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 10,591,869  | 10,248,262  | 10,034,679  | 9,855,222   | 9,496,419   |
| 14 Less: Accumulated Depr and Amort.      | 6,719,462   | 6,316,284   | 5,834,652   | 5,369,557   | 4,900,806   |
| 15 Net Regulated Plant                    | 3,872,407   | 3,931,978   | 4,200,027   | 4,485,665   | 4,595,613   |
| 16 Total Assets & Other Debits            | \$9,486,332 | \$7,839,675 | \$8,629,405 | \$9,594,300 | \$9,189,586 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | \$314,583   | \$607,585   | \$104,595   | \$129,937   | \$177,687   |
| 18 Notes Payable                          |             |             |             |             | 3,696       |
| 19 Advanced Billings                      | 13,906      | 11,710      | 10,430      | 10,053      | 9,088       |
| 20 Customer Deposits                      | 1,470       | 1,545       | 1,595       | 1,645       | 1,770       |
| 21 Current Maturities - Long-Term Debt    |             |             |             |             |             |
| 22 Current Deferred Income Taxes          |             |             |             |             |             |
| 23 Other Current Liabilities              | 38,137      | (454,722)   | (21,188)    | 84,544      | (11,072)    |
| 24 Total Current Liabilities              | 368,096     | 166,118     | 95,432      | 226,179     | 181,169     |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         | 1,025,309   | 1,164,947   | 1,298,722   | 1,426,926   | 1,549,842   |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        |             |             |             |             | 4,066       |
| 27 Non-Current Deferred Taxes             | 521,158     | 538,380     | 517,367     | 493,833     | 452,606     |
| 28 Other Deferred Credits                 | 1,363,532   | 108,292     | 137,464     | 152,526     | 181,640     |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      | 674,023     | 546,057     | 444,233     | 333,612     | 213,338     |
| 31 Total Other Liab. and Def. Credits     | 2,558,713   | 1,192,729   | 1,099,064   | 979,971     | 851,650     |
| <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      |
| 34 Other Paid in Capital                  |             |             |             |             |             |
| 35 Retained Earnings                      | 5,414,564   | 5,196,231   | 5,931,037   | 6,755,574   | 6,399,175   |
| 36 Total Stockholder's Equity             | 5,534,214   | 5,315,881   | 6,136,187   | 6,961,224   | 6,606,925   |
| 37 Total Liab. and Stockholder's Equity   | \$9,486,332 | \$7,839,675 | \$8,629,405 | \$9,594,300 | \$9,189,586 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>        | <b>2005</b>       | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|--------------------|-------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                    |                   |                  |                  |                  |           |
| Local Network Services                        | \$974,662          | \$907,693         | \$908,723        | \$848,585        | \$786,918        | 1         |
| Network Access Services                       | 1,019,786          | 1,102,473         | 1,089,433        | 1,025,731        | 965,726          | 2         |
| Long Distance Network Services                | 46,399             | 74,434            | 97,366           | 102,679          | 79,564           | 3         |
| Miscellaneous Revenues                        | 696,452            | 851,376           | 731,722          | 864,961          | 1,061,139        | 4         |
| Less: Uncollectible Revenues                  | 2,000              | 500               | 3,000            | 3,000            | 1,750            | 5         |
| <b>Total Operating Revenues</b>               | <b>2,735,299</b>   | <b>2,935,476</b>  | <b>2,824,244</b> | <b>2,838,956</b> | <b>2,891,597</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                    |                   |                  |                  |                  |           |
| Network Support Expenses                      | 9,794              | 9,060             | 5,205            | 1,245            |                  | 7         |
| General Support Expenses                      | 113,392            | 128,942           | 128,229          | 120,690          | 125,251          | 8         |
| Central Office Switching                      | 189,283            | 194,076           | 212,723          | 204,781          | 206,384          | 9         |
| Operator Systems Expense                      |                    |                   |                  |                  |                  | 10        |
| Central Office Transmission                   | 40,072             | 21,809            | 30,625           | 34,381           | 42,085           | 11        |
| Info. Origination/Termination                 | 24,219             | 82,084            | 55,245           | 78,108           | 97,784           | 12        |
| Cable & Wire Facilities                       | 153,202            | 146,222           | 161,242          | 178,684          | 159,494          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>529,962</b>     | <b>582,193</b>    | <b>593,269</b>   | <b>617,889</b>   | <b>630,998</b>   | <b>14</b> |
| Other Plant, Property & Equipment             |                    |                   |                  |                  |                  | 15        |
| Network Operations                            | 115,352            | 103,770           | 90,438           | 82,808           | 77,040           | 16        |
| Access Expense                                | 39,810             | 38,986            | 26,876           | 23,170           | 14,224           | 17        |
| Depreciation and Amortization                 | 539,509            | 525,062           | 527,565          | 509,923          | 521,813          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>694,671</b>     | <b>667,818</b>    | <b>644,879</b>   | <b>615,901</b>   | <b>613,077</b>   | <b>19</b> |
| Marketing Expense                             | 26,804             | 31,025            | 15,548           | 14,177           | 12,840           | 20        |
| Services Expense                              | 590,527            | 456,227           | 475,385          | 429,251          | 415,819          | 21        |
| <b>Total Customer Operations</b>              | <b>617,331</b>     | <b>487,252</b>    | <b>490,933</b>   | <b>443,428</b>   | <b>428,659</b>   | <b>22</b> |
| Executive & Planning                          | 523,122            | 540,787           | 539,490          | 532,546          | 414,393          | 23        |
| General & Administrative                      | 492,274            | 551,949           | 471,699          | 461,073          | 530,299          | 24        |
| Provision - Uncollectible Notes Rec.          |                    |                   |                  |                  |                  | 25        |
| Other   |                    |                   |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>1,015,396</b>   | <b>1,092,736</b>  | <b>1,011,189</b> | <b>993,619</b>   | <b>944,692</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>2,857,360</b>   | <b>2,829,999</b>  | <b>2,740,270</b> | <b>2,670,837</b> | <b>2,617,426</b> | <b>28</b> |
| Other Operating Income & Expenses             |                    |                   |                  |                  |                  | 29        |
| State & Local Income Taxes                    |                    |                   |                  |                  |                  | 30        |
| Other Taxes                                   | 234,877            | 186,040           | 168,940          | 169,810          | 164,926          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(356,938)</b>   | <b>(80,563)</b>   | <b>(84,966)</b>  | <b>(1,691)</b>   | <b>109,245</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                    |                   |                  |                  |                  | 33        |
| Federal Income Taxes                          | (26,375)           | (39,199)          | (20,331)         | (9,005)          | (72,795)         | 34        |
| Provision - Def. Operating Income Taxes - Net | (108,385)          | (20,514)          | (61,005)         | (50,696)         | 39,763           | 35        |
| <b>Net Operating Income</b>                   | <b>(\$222,178)</b> | <b>(\$20,850)</b> | <b>(\$3,630)</b> | <b>\$58,010</b>  | <b>\$142,277</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | (\$222,178) | (\$20,850)  | (\$3,630)   | \$58,010    | \$142,277   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  | 140         | 38,227      | 35,256      | 21,378      | 18,438      |
| 39 Interest Income                                  | 48,207      |             | 164         | 186         | 472         |
| 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       | 128,413     | (680,176)   | (783,503)   | 339,779     | 3,440,188   |
| 44 Other Non-Operating Income                       | 501,474     | (5,692)     | 55,620      | 65,274      | (49,938)    |
| 45 Special Charges                                  | 8,440       | 9,032       | 6,522       | 6,379       | 5,861       |
| 46 Total Non-Operating Income & Expenses            | 669,794     | (656,673)   | (698,985)   | 420,238     | 3,403,299   |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | 178,432     | 7,080       | 28,713      | 23,290      | (16,651)    |
| 48 Other  |             |             |             |             |             |
| 49 Total Non-Operating Taxes                        | 178,432     | 7,080       | 28,713      | 23,290      | (16,651)    |
| 50 Income Available Before Interest Charges         | 269,184     | (684,603)   | (731,328)   | 454,958     | 3,562,227   |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          | 75,364      | 81,238      | 86,822      | 92,120      | 97,174      |
| 52 Other Interest Expense                           | 17,233      | 1,226       | 1,242       | 1,276       | 1,351       |
| 53 Total Interest Charges                           | 92,597      | 82,464      | 88,064      | 93,396      | 98,525      |
| 54 Income Before Extraordinary & Nonreg Items       | 176,587     | (767,067)   | (819,392)   | 361,562     | 3,463,702   |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$176,587   | (\$767,067) | (\$819,392) | \$361,562   | \$3,463,702 |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$2,775,632 | \$2,830,262 | \$2,871,296 | \$2,854,676 | \$2,836,466 |
| 60 Transferred from Income                          | 48,174      | (86,891)    | (35,889)    | 21,783      | 23,514      |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             | 2,400       | 5,145       | 5,163       | 5,304       |
| 63 Common Stock                                     |             |             |             |             |             |
| 64 Adjustments                                      | (41,746)    | 34,661      |             |             |             |
| 65 Ending Year Balance                              | 2,865,552   | 2,775,632   | 2,830,262   | 2,871,296   | 2,854,676   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 2,549,012   | 2,420,599   | 3,100,775   | 3,884,278   | 3,544,499   |
| 67 <b>Total Retained Earnings</b>                   | \$5,414,564 | \$5,196,231 | \$5,931,037 | \$6,755,574 | \$6,399,175 |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$1,144,480 | \$482,172   | \$133,485   | \$390,053   | \$297,949   |
| 2 Accounts Receivable (Net)               | 1,225,686   | 1,068,425   | 981,855     | 875,113     | 721,846     |
| 3 Current Deferred Income Taxes           |             |             |             |             |             |
| 4 Other Current Assets                    | 230,192     | 203,918     | 190,442     | 209,542     | 174,737     |
| 5 Total Current Assets                    | 2,600,358   | 1,754,515   | 1,305,782   | 1,474,708   | 1,194,532   |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             | 307,908     | 507,899     | 849,898     | 945,503     | 1,225,125   |
| 7 Unamortized Debt Issuance Costs         | 11,369      | 12,489      | 13,607      | 14,725      | 15,844      |
| 8 Deferred Charges                        |             |             |             | 11,382      | 11,382      |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      | 386,288     | 114,744     | 106,983     | 27,778      | 24,242      |
| 11 Other Non-Current Assets               |             |             | 316,895     | 254,148     | 195,440     |
| 12 Total Non-Current Assets               | 705,566     | 635,132     | 1,287,383   | 1,253,536   | 1,472,033   |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 10,778,067  | 10,678,951  | 10,716,542  | 10,439,743  | 10,450,241  |
| 14 Less: Accumulated Depr and Amort.      | 7,729,236   | 7,468,174   | 7,152,277   | 6,568,791   | 5,979,824   |
| 15 Net Regulated Plant                    | 3,048,831   | 3,210,777   | 3,564,265   | 3,870,952   | 4,470,417   |
| 16 Total Assets & Other Debits            | \$6,354,755 | \$5,600,424 | \$6,157,430 | \$6,599,196 | \$7,136,982 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | 177,316     | \$193,259   | \$131,051   | \$112,720   | \$298,204   |
| 18 Notes Payable                          | 77,436      |             | 118,000     | 118,000     | 118,000     |
| 19 Advanced Billings                      |             |             |             |             |             |
| 20 Customer Deposits                      |             |             |             |             |             |
| 21 Current Maturities - Long-Term Debt    | 198,307     | 185,022     | 173,003     | 162,763     | 154,423     |
| 22 Current Deferred Income Taxes          |             |             |             |             |             |
| 23 Other Current Liabilities              | 172,461     | 95,538      | 33,297      | 171,225     | 152,069     |
| 24 Total Current Liabilities              | 625,519     | 473,819     | 455,351     | 564,708     | 722,696     |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         | 2,179,824   | 2,381,396   | 2,570,551   | 2,747,463   | 2,913,340   |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        |             |             |             | (4,569)     | 3,373       |
| 27 Non-Current Deferred Taxes             | 211,503     | 200,534     | 244,438     | 303,283     | 324,103     |
| 28 Other Deferred Credits                 | 1,015,640   | 228,182     | 220,835     | 202,358     | 168,913     |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      |             |             |             |             |             |
| 31 Total Other Liab. and Def. Credits     | 1,227,143   | 428,716     | 465,273     | 501,072     | 496,389     |
| <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                  | (682,108)   | (685,200)   | (135,200)   | (139,051)   | (139,051)   |
| 35 Retained Earnings                      | 2,863,377   | 2,860,693   | 2,660,455   | 2,784,004   | 3,002,608   |
| 36 Total Stockholder's Equity             | 2,322,269   | 2,316,493   | 2,666,255   | 2,785,953   | 3,004,557   |
| 37 Total Liab. and Stockholder's Equity   | \$6,354,755 | \$5,600,424 | \$6,157,430 | \$6,599,196 | \$7,136,982 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$499,161        | \$534,343        | \$554,097        | \$536,457        | \$530,577        | 1         |
| Network Access Services                       | 2,325,936        | 2,558,386        | 2,579,975        | 2,790,443        | 2,734,910        | 2         |
| Long Distance Network Services                |                  |                  |                  |                  |                  | 3         |
| Miscellaneous Revenues                        | 315,857          | 309,413          | 327,480          | 345,807          | 336,151          | 4         |
| Less: Uncollectible Revenues                  | 13,115           | 5,604            | 9,168            | 9,424            | 6,285            | 5         |
| <b>Total Operating Revenues</b>               | <b>3,127,839</b> | <b>3,396,539</b> | <b>3,452,384</b> | <b>3,663,283</b> | <b>3,595,353</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 268              | 3,592            | 10,589           | 15,319           | 14,927           | 7         |
| General Support Expenses                      | 262,674          | 281,195          | 290,066          | 308,553          | 279,614          | 8         |
| Central Office Switching                      | 278,465          | 301,941          | 282,588          | 211,587          | 220,861          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 167,764          | 134,336          | 127,562          | 102,055          | 112,898          | 11        |
| Info. Origination/Termination                 | 18,957           | 31,121           | 34,486           | 31,055           | 47,428           | 12        |
| Cable & Wire Facilities                       | 128,200          | 129,078          | 189,876          | 132,419          | 177,412          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>856,328</b>   | <b>881,263</b>   | <b>935,168</b>   | <b>800,989</b>   | <b>853,140</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | 12,025           | 16,935           | 11,005           | 7,696            | 29,155           | 15        |
| Network Operations                            | 252,510          | 310,208          | 234,601          | 231,256          | 278,980          | 16        |
| Access Expense                                | 29,623           | 32,008           | 30,403           | 14,185           | 10,362           | 17        |
| Depreciation and Amortization                 | 466,186          | 538,205          | 683,664          | 684,183          | 682,849          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>760,345</b>   | <b>897,357</b>   | <b>959,673</b>   | <b>937,321</b>   | <b>1,001,347</b> | <b>19</b> |
| Marketing Expense                             | 18,576           | 93,790           | 96,127           | 103,743          | 114,680          | 20        |
| Services Expense                              | 291,324          | 296,157          | 304,989          | 302,659          | 339,448          | 21        |
| <b>Total Customer Operations</b>              | <b>309,900</b>   | <b>389,947</b>   | <b>401,115</b>   | <b>406,402</b>   | <b>454,128</b>   | <b>22</b> |
| Executive & Planning                          | 218,456          | 286,279          | 325,091          | 298,007          | 277,745          | 23        |
| General & Administrative                      | 536,673          | 600,801          | 647,502          | 578,390          | 631,647          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>755,128</b>   | <b>887,079</b>   | <b>972,593</b>   | <b>876,398</b>   | <b>909,392</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>2,681,701</b> | <b>3,055,646</b> | <b>3,268,549</b> | <b>3,021,109</b> | <b>3,218,007</b> | <b>28</b> |
| Other Operating Income & Expenses             | (2,116)          |                  | 30,426           | (41,140)         |                  | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 194,619          | 167,913          | 168,344          | 180,068          | 175,876          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>249,403</b>   | <b>172,980</b>   | <b>45,917</b>    | <b>420,966</b>   | <b>201,470</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  | (5,214)          | 7,789            | 7,789            | 33        |
| Federal Income Taxes                          | 35,531           | 53,094           | 2,546            | 96,035           | (13,081)         | 34        |
| Provision - Def. Operating Income Taxes - Net | (260,575)        | (51,665)         | (134,789)        | (24,356)         | (4,224)          | 35        |
| <b>Net Operating Income</b>                   | <b>\$474,447</b> | <b>\$171,551</b> | <b>\$172,946</b> | <b>\$357,076</b> | <b>\$226,565</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$474,447   | \$171,551   | \$172,946   | \$357,076   | \$226,565   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  | 395         | 24,743      | 14,713      | 8,034       | 5,670       |
| 39 Interest Income                                  | 31,364      | 2,205       |             | (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       | (265,727)   | (349,694)   | (170,327)   | (282,890)   | (316,579)   |
| 44 Other Non-Operating Income                       | 338,640     |             | 34,371      | (117,615)   |             |
| 45 Special Charges                                  | 18,553      | (544,114)   | 7,990       | 12,913      | (14,427)    |
| 46 Total Non-Operating Income & Expenses            | 86,119      | 221,368     | (129,233)   | (408,018)   | (476,454)   |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | 379,367     | 6,194       | (32,754)    | (68,520)    | (55,767)    |
| 48 Other  | 6,845       | 5,005       | 4,010       | 4,890       | 4,425       |
| 49 Total Non-Operating Taxes                        | 386,212     | 11,199      | (28,744)    | (63,630)    | (51,342)    |
| 50 Income Available Before Interest Charges         | 174,354     | 381,720     | 72,457      | 12,688      | (198,547)   |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          | 150,629     | 161,680     | 172,305     | 181,239     | 192,182     |
| 52 Other Interest Expense                           | 12,815      | 11,420      | 11,469      | 41,671      | 6,694       |
| 53 Total Interest Charges                           | 163,445     | 173,100     | 183,774     | 222,910     | 198,876     |
| 54 Income Before Extraordinary & Nonreg Items       | 10,909      | 208,620     | (111,317)   | (210,222)   | (397,423)   |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$10,909    | \$208,620   | (\$111,317) | (\$210,222) | (\$397,423) |
| <hr/>   |             |             |             |             |             |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$2,836,715 | \$2,286,783 | \$2,240,606 | \$2,176,320 | \$2,265,546 |
| 60 Transferred from Income                          | 276,636     | 558,314     | 58,412      | 72,668      | (80,844)    |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  | 6,000       | 6,000       | 6,000       | 6,000       | 6,000       |
| 63 Common Stock                                     | 2,225       | 2,382       | 2,382       | 2,382       | 2,382       |
| 64 Adjustments                                      |             |             | (3,852)     |             |             |
| 65 Ending Year Balance                              | 3,105,126   | 2,836,715   | 2,286,784   | 2,240,606   | 2,176,320   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | (241,749)   | 23,978      | 373,672     | 543,399     | 826,289     |
| 67 <b>Total Retained Earnings</b>                   | \$2,863,377 | \$2,860,693 | \$2,660,456 | \$2,784,005 | \$3,002,609 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$12,335     | \$7,210      | \$11,000     | (\$1,234)    | (\$7,526)    |
| 2 Accounts Receivable (Net)               | 2,069,089    | 2,808,736    | 2,231,986    | 46,517,310   | 6,679,186    |
| 3 Current Deferred Income Taxes           |              |              |              |              |              |
| 4 Other Current Assets                    | (0)          | 16,299       | 16,555       | 39,723       | 81,211       |
| 5 Total Current Assets                    | 2,081,424    | 2,832,245    | 2,259,541    | 46,555,799   | 6,752,871    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 15,444,128   | 11,889,321   | 10,632,476   | 414,835      | 416,420      |
| 7 Unamortized Debt Issuance Costs         | 45,590       | 55,850       | 66,110       | 76,370       | 86,630       |
| 8 Deferred Charges                        | 865,110      | 868,090      | 867,669      | 864,800      | 823,012      |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      |              |              |              |              |              |
| 11 Other Non-Current Assets               | 129,110      | 129,110      | 129,110      | 129,110      | 129,110      |
| 12 Total Non-Current Assets               | 16,483,938   | 12,942,371   | 11,695,364   | 1,485,115    | 1,455,172    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 43,795,794   | 42,689,479   | 41,824,960   | 40,810,847   | 39,699,959   |
| 14 Less: Accumulated Depr and Amort.      | 28,101,341   | 26,321,321   | 24,616,602   | 22,313,407   | 20,282,911   |
| 15 Net Regulated Plant                    | 15,694,453   | 16,368,158   | 17,208,358   | 18,497,440   | 19,417,048   |
| 16 Total Assets & Other Debits            | \$34,259,814 | \$32,142,774 | \$31,163,263 | \$66,538,354 | \$27,625,091 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$1,443,681  | \$1,770,658  | \$1,732,481  | \$37,491,226 |              |
| 18 Notes Payable                          |              |              |              |              |              |
| 19 Advanced Billings                      | 168,966      | 161,631      | 165,683      | 162,945      | (\$594)      |
| 20 Customer Deposits                      | (8,517)      | (8,516)      | (8,537)      | (8,537)      | (8,537)      |
| 21 Current Maturities - Long-Term Debt    | 528,487      | 497,562      | 468,155      | 328,494      | 415,232      |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 41,011       | (146,202)    | 1,177,097    | 12,327       | (678,910)    |
| 24 Total Current Liabilities              | 2,173,628    | 2,275,133    | 3,534,879    | 37,986,455   | (272,809)    |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 2,958,083    | 3,486,569    | 3,984,132    | 4,562,318    | 4,890,812    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              | 20,887       | 31,801       |
| 27 Non-Current Deferred Taxes             | 3,044,636    | 3,254,493    | 3,019,734    | 3,025,719    | 3,104,501    |
| 28 Other Deferred Credits                 | 45,515       | 44,087       | 43,880       | 41,717       |              |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      |              |              |              |              |              |
| 31 Total Other Liab. and Def. Credits     | 3,090,151    | 3,298,580    | 3,063,614    | 3,088,323    | 3,136,302    |
| <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                      | 23,833,489   | 20,878,029   | 18,376,176   | 18,696,795   | 16,411,755   |
| 36 Total Stockholder's Equity             | 26,037,952   | 23,082,492   | 20,580,639   | 20,901,258   | 18,616,218   |
| 37 Total Liab. and Stockholder's Equity   | \$34,259,814 | \$32,142,774 | \$31,163,264 | \$66,538,354 | \$26,370,523 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>        | <b>2005</b>        | <b>2004</b>        | <b>2003</b>        | <b>2002</b>        |           |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                    |                    |                    |                    |                    |           |
| Local Network Services                        | \$4,913,490        | \$5,163,010        | \$5,287,534        | \$5,725,576        | \$5,930,300        | 1         |
| Network Access Services                       | 3,794,563          | 4,404,637          | 2,889,237          | 4,564,641          | 4,100,923          | 2         |
| Long Distance Network Services                | 27                 | (7)                |                    | 9                  |                    | 3         |
| Miscellaneous Revenues                        | 1,374,477          | 865,468            | 937,990            | 873,339            | 951,661            | 4         |
| Less: Uncollectible Revenues                  | 78,595             | 29,585             | (78,859)           | 104,582            | 74,933             | 5         |
| <b>Total Operating Revenues</b>               | <b>10,003,962</b>  | <b>10,403,523</b>  | <b>9,193,619</b>   | <b>11,058,983</b>  | <b>10,907,951</b>  | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                    |                    |                    |                    |                    |           |
| Network Support Expenses                      | 5                  | 59                 | 4,285              | 21                 | 8,164              | 7         |
| General Support Expenses                      | 543,656            | 728,119            | 877,451            | 734,638            | 722,127            | 8         |
| Central Office Switching                      | 286,360            | 284,093            | 262,360            | 190,121            | 195,266            | 9         |
| Operator Systems Expense                      | 5,833              | 1,621              | 1,216              |                    |                    | 10        |
| Central Office Transmission                   | 32,289             | 31,829             | 19,258             | 29,866             | 26,721             | 11        |
| Info. Origination/Termination                 | 87,783             | 171,578            | 99,302             | 31,392             | 31,449             | 12        |
| Cable & Wire Facilities                       | 518,650            | 547,640            | 513,777            | 457,737            | 430,449            | 13        |
| <b>Total Plant Specific Operations</b>        | <b>1,474,574</b>   | <b>1,764,939</b>   | <b>1,777,649</b>   | <b>1,443,775</b>   | <b>1,414,176</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | (5)                | 3                  | 53                 | 93                 | 7,083              | 15        |
| Network Operations                            | 491,321            | 544,035            | 597,957            | 717,565            | 505,563            | 16        |
| Access Expense                                | 309,940            | 301,392            | 155,576            | 105,087            | 164,518            | 17        |
| Depreciation and Amortization                 | 2,027,715          | 2,076,531          | 2,425,828          | 2,683,046          | 2,632,840          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>2,828,972</b>   | <b>2,921,960</b>   | <b>3,179,414</b>   | <b>3,505,791</b>   | <b>3,310,004</b>   | <b>19</b> |
| Marketing Expense                             | 36,377             | 39,233             | 53,099             | 87,170             | 92,752             | 20        |
| Services Expense                              | 407,340            | 413,047            | 498,736            | 820,751            | 769,521            | 21        |
| <b>Total Customer Operations</b>              | <b>443,717</b>     | <b>452,280</b>     | <b>551,835</b>     | <b>907,921</b>     | <b>862,273</b>     | <b>22</b> |
| Executive & Planning                          | 115,287            | 126,413            | 769,360            | 78,818             | 249,033            | 23        |
| General & Administrative                      | 459,102            | 493,985            | 555,902            | 721,854            | 167,131            | 24        |
| Provision - Uncollectible Notes Rec.          |                    |                    |                    |                    |                    | 25        |
| Other   |                    |                    |                    |                    |                    | 26        |
| <b>Total Corporate Operations</b>             | <b>574,389</b>     | <b>620,398</b>     | <b>1,325,261</b>   | <b>800,672</b>     | <b>416,164</b>     | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>5,321,652</b>   | <b>5,759,578</b>   | <b>6,834,160</b>   | <b>6,658,159</b>   | <b>6,002,617</b>   | <b>28</b> |
| Other Operating Income & Expenses             |                    | (2,000)            |                    |                    | (113,785)          | 29        |
| State & Local Income Taxes                    |                    |                    |                    |                    |                    | 30        |
| Other Taxes                                   | 868,196            | 621,676            | 619,480            | 574,834            | 465,197            | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>3,814,115</b>   | <b>4,020,269</b>   | <b>1,739,980</b>   | <b>3,825,990</b>   | <b>4,326,352</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                    |                    | 20,887             | 28,038             |                    | 33        |
| Federal Income Taxes                          | 1,696,654          | 1,595,089          | 587,247            | 931,730            | 815,994            | 34        |
| Provision - Def. Operating Income Taxes - Net | (188,711)          | (274,935)          | (60,802)           | 340,645            | (720,900)          | 35        |
| <b>Net Operating Income</b>                   | <b>\$2,306,172</b> | <b>\$2,700,115</b> | <b>\$1,234,422</b> | <b>\$2,581,653</b> | <b>\$4,231,258</b> | <b>36</b> |

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

|   | <b>2006</b>         | <b>2005</b>         | <b>2004</b>         | <b>2003</b>         | <b>2002</b>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| 37 <b>Net Operating Income</b>                      | \$2,306,172         | \$2,700,115         | \$1,234,422         | \$2,581,653         | \$4,231,258         |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |                     |                     |                     |                     |                     |
| 38 Dividend Income                                  |                     |                     |                     |                     |                     |
| 39 Interest Income                                  | 893,818             | 57,629              | 60,180              | 7,014               |                     |
| 40 Income - Sinking and Other Funds                 |                     |                     |                     |                     |                     |
| 41 Allowance for Funds Used During Construction     | 12,569              | 12,656              | 17,875              | 17,847              | 63,146              |
| 42 Gains/Losses - Disposal of Property              |                     |                     | (13,552)            |                     |                     |
| 43 Equity in Earnings of Affiliated Companies       |                     |                     |                     |                     |                     |
| 44 Other Non-Operating Income                       |                     |                     |                     |                     |                     |
| 45 Special Charges                                  | 17,978              | 18                  | 317                 | 22                  |                     |
| 46 Total Non-Operating Income & Expenses            | 888,409             | 70,268              | 64,186              | 24,839              | 63,146              |
| <b>NON-OPERATING TAXES</b>                          |                     |                     |                     |                     |                     |
| 47 Federal Income Taxes                             |                     |                     |                     |                     | (80,501)            |
| 48 Other  |                     |                     |                     |                     |                     |
| 49 Total Non-Operating Taxes                        |                     |                     |                     |                     | (80,501)            |
| 50 Income Available Before Interest Charges         | 3,194,581           | 2,770,382           | 1,298,608           | 2,606,492           | 4,374,905           |
| <b>INTEREST CHARGES</b>                             |                     |                     |                     |                     |                     |
| 51 Interest on Funded Debt                          | 228,861             | 258,268             | 287,899             | 311,192             | 337,498             |
| 52 Other Interest Expense                           | 10,260              | 10,260              | 160,327             | 10,260              | 11,746              |
| 53 Total Interest Charges                           | 239,121             | 268,528             | 448,226             | 321,452             | 349,244             |
| 54 Income Before Extraordinary & Nonreg Items       | 2,955,460           | 2,501,854           | 850,382             | 2,285,040           | 4,025,661           |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |                     |                     |                     |                     |                     |
| 55 Extraordinary Items                              |                     |                     |                     |                     |                     |
| 56 Nonregulated Revenues                            |                     |                     |                     |                     |                     |
| 57 Total Extraordinary & Nonregulated Items         |                     |                     |                     |                     |                     |
| 58 <b>Net Income</b>                                | <b>\$2,955,460</b>  | <b>\$2,501,854</b>  | <b>\$850,382</b>    | <b>\$2,285,040</b>  | <b>\$4,025,661</b>  |
| <hr/>   |                     |                     |                     |                     |                     |
| <b>RETAINED EARNINGS STATEMENT</b>                  |                     |                     |                     |                     |                     |
| Unappropriated Retained Earnings:                   |                     |                     |                     |                     |                     |
| 59 Beginning Year Balance                           | \$20,878,030        | \$18,376,176        | \$18,696,795        | \$16,411,755        | \$12,386,094        |
| 60 Transferred from Income                          | 2,955,460           | 2,501,854           | 850,381             | 2,285,040           | 4,025,661           |
| 61 Appropriations                                   |                     |                     |                     |                     |                     |
| Dividends Declared:                                 |                     |                     |                     |                     |                     |
| 62 Preferred Stock                                  |                     |                     |                     |                     |                     |
| 63 Common Stock                                     |                     |                     | 1,171,000           |                     |                     |
| 64 Adjustments                                      |                     |                     |                     |                     |                     |
| 65 Ending Year Balance                              | 23,833,489          | 20,878,030          | 18,376,176          | 18,696,795          | 16,411,755          |
| 66 Appropriated/Undistr Affiliate Retained Earnings |                     |                     |                     |                     |                     |
| 67 <b>Total Retained Earnings</b>                   | <b>\$23,833,489</b> | <b>\$20,878,030</b> | <b>\$18,376,176</b> | <b>\$18,696,795</b> | <b>\$16,411,755</b> |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$2,781,812  | \$3,763,786  | \$3,991,208  | \$3,713,239  | \$2,945,994  |
| 2 Accounts Receivable (Net)               | 820,069      | 463,131      | 496,077      | 632,580      | 896,073      |
| 3 Current Deferred Income Taxes           |              |              |              |              |              |
| 4 Other Current Assets                    | 266,487      | 261,633      | 243,927      | 249,511      | 290,144      |
| 5 Total Current Assets                    | 3,868,368    | 4,488,550    | 4,731,212    | 4,595,330    | 4,132,211    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 4,858,534    | 4,612,301    | 4,417,979    | 3,923,270    | 4,296,582    |
| 7 Unamortized Debt Issuance Costs         | 57           | 453          | 850          | 1,246        | 1,643        |
| 8 Deferred Charges                        | 104,782      | 104,782      | 104,782      | 104,782      | 104,782      |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 195,515      | 88,126       | 74,141       | 61,200       | 1,821        |
| 11 Other Non-Current Assets               | 2,499,097    | 2,342,378    | 2,183,420    | 2,020,454    | 1,754,415    |
| 12 Total Non-Current Assets               | 7,657,985    | 7,148,040    | 6,781,172    | 6,110,952    | 6,159,243    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 14,784,850   | 14,264,281   | 13,759,261   | 13,556,412   | 13,346,514   |
| 14 Less: Accumulated Depr and Amort.      | 8,351,912    | 7,687,292    | 7,042,478    | 5,982,526    | 5,045,023    |
| 15 Net Regulated Plant                    | 6,432,938    | 6,576,989    | 6,716,783    | 7,573,886    | 8,301,491    |
| 16 Total Assets & Other Debits            | \$17,959,291 | \$18,213,579 | \$18,229,167 | \$18,280,168 | \$18,592,945 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$419,038    | \$309,856    | \$133,727    | \$182,876    | \$276,980    |
| 18 Notes Payable                          |              |              |              |              | 30,000       |
| 19 Advanced Billings                      | 5,864        | 6,001        | 5,576        | 5,833        | 6,728        |
| 20 Customer Deposits                      | 875          | 875          | 1,506        | 1,420        | 1,738        |
| 21 Current Maturities - Long-Term Debt    |              |              |              |              |              |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | (273,747)    | 55,929       | 45,865       | (158,521)    | (74,643)     |
| 24 Total Current Liabilities              | 152,030      | 372,661      | 186,674      | 31,608       | 240,803      |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 5,330,743    | 5,531,271    | 5,945,478    | 6,473,998    | 6,975,481    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              | 3,535        |
| 27 Non-Current Deferred Taxes             | 995,876      | 983,346      | 1,106,039    | 1,184,540    | 1,004,160    |
| 28 Other Deferred Credits                 | 299,151      | 94,299       | 93,168       | 91,910       | 92,587       |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 361,000      | 250,000      | 210,000      | 180,000      | 150,000      |
| 31 Total Other Liab. and Def. Credits     | 1,656,027    | 1,327,645    | 1,409,207    | 1,456,450    | 1,250,282    |
| <b>STOCKHOLDER'S EQUITY</b>               |              |              |              |              |              |
| 32 Common Stock                           | 85,100       | 85,100       | 85,100       | 85,100       | 85,100       |
| 33 Preferred Stock                        | 34,850       | 34,850       | 35,350       | 35,350       | 35,450       |
| 34 Other Paid in Capital                  | (1,133,883)  | (1,261,500)  | (1,215,790)  | (1,252,777)  | (1,504,185)  |
| 35 Retained Earnings                      | 11,834,424   | 12,123,552   | 11,783,148   | 11,450,439   | 11,510,016   |
| 36 Total Stockholder's Equity             | 10,820,491   | 10,982,002   | 10,687,808   | 10,318,112   | 10,126,381   |
| 37 Total Liab. and Stockholder's Equity   | \$17,959,291 | \$18,213,579 | \$18,229,167 | \$18,280,168 | \$18,592,948 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>        | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>        |           |
|---|--------------------|------------------|------------------|------------------|--------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                    |                  |                  |                  |                    |           |
| Local Network Services                        | \$818,062          | \$864,803        | \$918,354        | \$876,667        | \$914,389          | 1         |
| Network Access Services                       | 1,749,468          | 2,337,061        | 2,359,774        | 2,098,407        | 2,543,188          | 2         |
| Long Distance Network Services                | 211,175            | 326,279          | 415,599          | 655,648          | 447,787            | 3         |
| Miscellaneous Revenues                        | 500,354            | 585,900          | 512,161          | 564,468          | 647,522            | 4         |
| Less: Uncollectible Revenues                  | 8,328              | 11,576           | 12,169           | (1,864)          | 53,291             | 5         |
| <b>Total Operating Revenues</b>               | <b>3,270,731</b>   | <b>4,102,467</b> | <b>4,193,719</b> | <b>4,197,054</b> | <b>4,499,595</b>   | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                    |                  |                  |                  |                    |           |
| Network Support Expenses                      | 22,570             | 19,395           | 15,718           | 24,969           | 25,490             | 7         |
| General Support Expenses                      | 268,968            | 304,942          | 320,616          | 315,052          | 189,770            | 8         |
| Central Office Switching                      | 125,880            | 129,955          | 150,572          | 169,076          | 146,136            | 9         |
| Operator Systems Expense                      |                    |                  |                  |                  |                    | 10        |
| Central Office Transmission                   | 207,573            | 140,350          | 109,720          | 64,160           | 74,345             | 11        |
| Info. Origination/Termination                 | 35,665             | 58,753           | 69,077           | 66,810           | 71,815             | 12        |
| Cable & Wire Facilities                       | 309,913            | 325,480          | 222,988          | 263,560          | 283,859            | 13        |
| <b>Total Plant Specific Operations</b>        | <b>970,569</b>     | <b>978,875</b>   | <b>888,691</b>   | <b>903,627</b>   | <b>791,415</b>     | <b>14</b> |
| Other Plant, Property & Equipment             |                    |                  |                  |                  |                    | 15        |
| Network Operations                            | 287,913            | 267,046          | 280,924          | 309,926          | 286,170            | 16        |
| Access Expense                                | 33,756             | 33,720           | 25,901           | 26,790           | 16,609             | 17        |
| Depreciation and Amortization                 | 881,470            | 865,467          | 1,118,052        | 1,103,414        | 1,098,071          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,203,139</b>   | <b>1,166,233</b> | <b>1,424,877</b> | <b>1,440,130</b> | <b>1,400,850</b>   | <b>19</b> |
| Marketing Expense                             | 2,827              | 5,682            | 12,950           | 11,935           | (978)              | 20        |
| Services Expense                              | 338,137            | 365,157          | 329,928          | 387,433          | 562,290            | 21        |
| <b>Total Customer Operations</b>              | <b>340,964</b>     | <b>370,839</b>   | <b>342,878</b>   | <b>399,368</b>   | <b>561,312</b>     | <b>22</b> |
| Executive & Planning                          | 387,101            | 341,745          | 324,676          | 361,474          | 411,897            | 23        |
| General & Administrative                      | 571,846            | 553,787          | 569,397          | 643,238          | 697,299            | 24        |
| Provision - Uncollectible Notes Rec.          |                    |                  |                  |                  |                    | 25        |
| Other   |                    |                  |                  |                  |                    | 26        |
| <b>Total Corporate Operations</b>             | <b>958,947</b>     | <b>895,532</b>   | <b>894,073</b>   | <b>1,004,712</b> | <b>1,109,196</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>3,473,620</b>   | <b>3,411,479</b> | <b>3,550,519</b> | <b>3,747,837</b> | <b>3,862,773</b>   | <b>28</b> |
| Other Operating Income & Expenses             |                    |                  |                  |                  |                    | 29        |
| State & Local Income Taxes                    |                    |                  |                  |                  |                    | 30        |
| Other Taxes                                   | 238,947            | 248,531          | 206,638          | 255,166          | 257,042            | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(441,836)</b>   | <b>442,457</b>   | <b>436,562</b>   | <b>194,051</b>   | <b>379,780</b>     | <b>32</b> |
| Investment Tax Credits - Net                  |                    |                  |                  | 3,535            | 1,768              | 33        |
| Federal Income Taxes                          | (105,884)          | 170,451          | 111,417          | (46,657)         | (34,998)           | 34        |
| Provision - Def. Operating Income Taxes - Net | (91,421)           | (113,130)        | (110,498)        | (10,332)         | (625,016)          | 35        |
| <b>Net Operating Income</b>                   | <b>(\$244,531)</b> | <b>\$385,136</b> | <b>\$435,643</b> | <b>\$254,575</b> | <b>\$1,041,562</b> | <b>36</b> |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| 37 <b>Net Operating Income</b>                      | (\$244,531)  | \$385,136    | \$435,643    | \$254,575    | \$1,041,562  |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |              |              |              |              |              |
| 38 Dividend Income                                  |              | 32,425       | 31,829       | 27,441       | 2,452        |
| 39 Interest Income                                  | 18,727       | 209,205      | 172,588      | 153,781      | 156,556      |
| 40 Income - Sinking and Other Funds                 | 236,180      |              |              |              |              |
| 41 Allowance for Funds Used During Construction     |              |              |              |              |              |
| 42 Gains/Losses - Disposal of Property              | 27,841       | 2,806        | (292)        | (6,836)      |              |
| 43 Equity in Earnings of Affiliated Companies       | (93,576)     | 57,409       | 102,476      | (20,299)     | 246,681      |
| 44 Other Non-Operating Income                       | 113,141      | 74,893       | (16,775)     | (195,127)    | (1,931,160)  |
| 45 Special Charges                                  | (2,811)      | 17,641       | 3,334        | (79,698)     | (75,376)     |
| 46 Total Non-Operating Income & Expenses            | 305,124      | 359,097      | 286,492      | 38,658       | (1,450,095)  |
| <b>NON-OPERATING TAXES</b>                          |              |              |              |              |              |
| 47 Federal Income Taxes                             | 99,027       | 61,040       | 26,738       | (54,964)     | 35,650       |
| 48 Other  |              |              |              |              |              |
| 49 Total Non-Operating Taxes                        | 99,027       | 61,040       | 26,738       | (54,964)     | 35,650       |
| 50 Income Available Before Interest Charges         | (38,434)     | 683,193      | 695,397      | 348,197      | (444,183)    |
| <b>INTEREST CHARGES</b>                             |              |              |              |              |              |
| 51 Interest on Funded Debt                          | 246,198      | 338,452      | 358,334      | 389,091      | 408,200      |
| 52 Other Interest Expense                           | 608          | 434          | 437          | 14,764       | 2,958        |
| 53 Total Interest Charges                           | 246,806      | 338,886      | 358,771      | 403,855      | 411,158      |
| 54 Income Before Extraordinary & Nonreg Items       | (285,240)    | 344,307      | 336,626      | (55,658)     | (855,341)    |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |              |              |              |              |              |
| 55 Extraordinary Items                              |              |              |              |              |              |
| 56 Nonregulated Revenues                            |              |              |              |              |              |
| 57 Total Extraordinary & Nonregulated Items         |              |              |              |              |              |
| 58 <b>Net Income</b>                                | (\$285,240)  | \$344,307    | \$336,626    | (\$55,658)   | (\$855,341)  |
| <b>RETAINED EARNINGS STATEMENT</b>                  |              |              |              |              |              |
| Unappropriated Retained Earnings:                   |              |              |              |              |              |
| 59 Beginning Year Balance                           | \$10,001,560 | \$9,718,565  | \$9,488,334  | \$9,527,611  | \$10,633,557 |
| 60 Transferred from Income                          | (191,664)    | 286,898      | 234,150      | (35,359)     | (1,102,023)  |
| 61 Appropriations                                   |              |              |              |              |              |
| Dividends Declared:                                 |              |              |              |              |              |
| 62 Preferred Stock                                  | 2,091        | 2,106        | 2,121        | 2,121        | 2,127        |
| 63 Common Stock                                     | 1,797        | 1,797        | 1,797        | 1,797        | 1,797        |
| 64 Adjustments                                      |              |              |              |              |              |
| 65 Ending Year Balance                              | 9,806,008    | 10,001,560   | 9,718,566    | 9,488,334    | 9,527,611    |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 2,028,416    | 2,121,992    | 2,064,583    | 1,962,107    | 1,982,406    |
| 67 <b>Total Retained Earnings</b>                   | \$11,834,424 | \$12,123,552 | \$11,783,149 | \$11,450,441 | \$11,510,017 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$506,487    | \$1,268,359  | \$747,940    | \$360,661    | \$731,013    |
| 2 Accounts Receivable (Net)               | 959,878      | 800,132      | 1,058,314    | 1,290,097    | 999,449      |
| 3 Current Deferred Income Taxes           |              |              | 82           | 82           | 82           |
| 4 Other Current Assets                    | 468,069      | 391,509      | 350,518      | 322,718      | 356,096      |
| 5 Total Current Assets                    | 1,934,434    | 2,460,000    | 2,156,854    | 1,973,558    | 2,086,640    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 88,384       | 714,980      | 724,302      | 864,541      | 869,641      |
| 7 Unamortized Debt Issuance Costs         | 7,200        | 8,400        | 9,600        | 10,800       | 12,750       |
| 8 Deferred Charges                        |              |              |              |              | 500          |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 545,876      | 414,346      | 479,636      | 409,827      | 111,175      |
| 11 Other Non-Current Assets               | 2,581,643    | 2,445,208    | 2,367,595    | 2,217,427    | 2,001,788    |
| 12 Total Non-Current Assets               | 3,223,103    | 3,582,935    | 3,581,133    | 3,502,595    | 2,995,854    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 15,033,256   | 14,170,536   | 13,528,163   | 13,710,519   | 11,986,331   |
| 14 Less: Accumulated Depr and Amort.      | 5,765,631    | 6,181,372    | 5,707,170    | 5,956,803    | 5,781,389    |
| 15 Net Regulated Plant                    | 9,267,625    | 7,989,164    | 7,820,993    | 7,753,715    | 6,204,942    |
| 16 Total Assets & Other Debits            | \$14,425,162 | \$14,032,098 | \$13,558,979 | \$13,229,868 | \$11,287,436 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$234,694    | \$267,186    | \$285,193    | \$393,299    | \$245,457    |
| 18 Notes Payable                          | 253,509      | 231,737      | 220,733      | 194,525      | 141,117      |
| 19 Advanced Billings                      | 43,329       | (5,321)      | (26,569)     | (20,112)     | (20,589)     |
| 20 Customer Deposits                      |              |              |              |              | 685          |
| 21 Current Maturities - Long-Term Debt    | 214,286      | 214,286      |              | 85,483       | 342,857      |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 576,558      | 676,803      | 490,566      | 522,716      | 226,851      |
| 24 Total Current Liabilities              | 1,322,376    | 1,384,690    | 969,923      | 1,175,911    | 936,378      |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 1,671,429    | 1,285,714    | 1,500,000    | 1,500,000    | 584,835      |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              | 6,046        |
| 27 Non-Current Deferred Taxes             | 1,790,742    | 1,858,339    | 1,956,887    | 1,765,756    | 1,387,083    |
| 28 Other Deferred Credits                 | 197,092      | 234,310      | 285,447      | 400,851      | 342,553      |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 642,763      | 698,307      | 513,416      | 400,316      | 273,704      |
| 31 Total Other Liab. and Def. Credits     | 2,630,597    | 2,790,956    | 2,755,750    | 2,566,923    | 2,009,386    |
| <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                  | (1,401,275)  | (1,455,712)  | (1,461,140)  | (1,569,440)  | (3,141,133)  |
| 35 Retained Earnings                      | 10,087,035   | 9,911,449    | 9,679,446    | 9,441,474    | 10,782,970   |
| 36 Total Stockholder's Equity             | 8,800,760    | 8,570,737    | 8,333,306    | 7,987,034    | 7,756,837    |
| 37 Total Liab. and Stockholder's Equity   | \$14,425,162 | \$14,032,098 | \$13,558,979 | \$13,229,868 | \$11,287,436 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |    |
|---|-------------|-------------|-------------|-------------|-------------|----|
| <b>TELEPHONE OPERATING REVENUES</b>           |             |             |             |             |             |    |
| Local Network Services                        | \$879,701   | \$908,658   | \$962,297   | \$994,050   | \$931,237   | 1  |
| Network Access Services                       | 1,965,454   | 2,043,559   | 2,143,950   | 2,015,854   | 2,146,223   | 2  |
| Long Distance Network Services                |             |             |             |             |             | 3  |
| Miscellaneous Revenues                        | 646,598     | 629,122     | 530,616     | 575,124     | 626,831     | 4  |
| Less: Uncollectible Revenues                  | 29,940      | 19,816      | 12,439      | 12,549      | 11,604      | 5  |
| Total Operating Revenues                      | 3,461,813   | 3,561,523   | 3,624,424   | 3,572,479   | 3,692,687   | 6  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |             |             |             |             |             |    |
| Network Support Expenses                      | 10,087      | 5,086       | 3,049       | 6,023       | 9,758       | 7  |
| General Support Expenses                      | 167,340     | 173,324     | 134,855     | 120,858     | 98,362      | 8  |
| Central Office Switching                      | 289,625     | 253,412     | 275,428     | 275,711     | 301,983     | 9  |
| Operator Systems Expense                      |             |             |             |             |             | 10 |
| Central Office Transmission                   |             |             | 89,145      | 197,134     | 114,108     | 11 |
| Info. Origination/Termination                 | 74,111      | 66,520      | 59,096      | 50,200      | 36,734      | 12 |
| Cable & Wire Facilities                       | 262,230     | 225,966     | 274,887     | 353,548     | 378,184     | 13 |
| Total Plant Specific Operations               | 803,393     | 724,309     | 836,459     | 1,003,474   | 939,129     | 14 |
| Other Plant, Property & Equipment             | 473         |             |             |             |             | 15 |
| Network Operations                            | 171,791     | 171,091     | 223,395     | 218,759     | 200,649     | 16 |
| Access Expense                                | 70,277      | 73,311      | 57,279      | 46,595      | 36,274      | 17 |
| Depreciation and Amortization                 | 545,613     | 534,678     | 538,459     | 526,513     | 633,693     | 18 |
| Total Plant Non-Specific Operations           | 788,154     | 779,079     | 819,134     | 791,867     | 870,616     | 19 |
| Marketing Expense                             | 123,475     | 100,095     | 98,970      | 50,042      | 152,575     | 20 |
| Services Expense                              | 609,188     | 604,658     | 462,811     | 478,955     | 523,263     | 21 |
| Total Customer Operations                     | 732,663     | 704,752     | 561,781     | 528,997     | 675,838     | 22 |
| Executive & Planning                          | 242,888     | 476,028     | 285,534     | 303,693     | 274,920     | 23 |
| General & Administrative                      | 408,180     | 439,276     | 428,505     | 448,400     | 462,328     | 24 |
| Provision - Uncollectible Notes Rec.          |             |             |             |             |             | 25 |
| Other   |             |             |             |             |             | 26 |
| Total Corporate Operations                    | 651,068     | 915,303     | 714,039     | 752,093     | 737,248     | 27 |
| Total Operations Expense                      | 2,975,278   | 3,123,444   | 2,931,413   | 3,076,431   | 3,222,831   | 28 |
| Other Operating Income & Expenses             |             | (364)       | (3,234)     |             | (163)       | 29 |
| State & Local Income Taxes                    |             |             |             |             |             | 30 |
| Other Taxes                                   | 254,400     | 243,763     | 216,490     | 193,950     | 175,109     | 31 |
| <b>Net Operating Income Before FIT</b>        | 232,135     | 193,951     | 473,287     | 302,098     | 294,584     | 32 |
| Investment Tax Credits - Net                  |             |             | 75          | 5,176       | 6,000       | 33 |
| Federal Income Taxes                          | (8,464)     | (32,534)    | (48,147)    | (115,832)   | (1,308)     | 34 |
| Provision - Def. Operating Income Taxes - Net | (54,509)    | (25,442)    | 138,534     | 237,482     | 117,518     | 35 |
| <b>Net Operating Income</b>                   | \$295,108   | \$251,928   | \$382,975   | \$185,624   | \$184,374   | 36 |

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

|   | 2006         | 2005        | 2004        | 2003          | 2002         |
|---|--------------|-------------|-------------|---------------|--------------|
| 37 <b>Net Operating Income</b>                      | \$295,108    | \$251,928   | \$382,975   | \$185,624     | \$184,374    |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |              |             |             |               |              |
| 38 Dividend Income                                  | 5,000        | 5,000       | 3,750       |               |              |
| 39 Interest Income                                  | 42,234       | 33,631      | 31,061      | 2,500         | 34,213       |
| 40 Income - Sinking and Other Funds                 |              |             |             | 756           |              |
| 41 Allowance for Funds Used During Construction     | 59,901       | 4,846       | 24,664      |               | 23,831       |
| 42 Gains/Losses - Disposal of Property              |              |             |             | 44,207        |              |
| 43 Equity in Earnings of Affiliated Companies       | (181,852)    | 13,288      | (174,258)   | (1,419,378)   | 1,294,819    |
| 44 Other Non-Operating Income                       | (5,585)      | 122,587     | 95,984      | 8,840         | (233,136)    |
| 45 Special Charges                                  | 8,074        | 12,248      | (28,092)    | 27,311        | 2,881        |
| 46 Total Non-Operating Income & Expenses            | (88,376)     | 167,105     | 9,293       | (1,390,386)   | 1,116,846    |
| <b>NON-OPERATING TAXES</b>                          |              |             |             |               |              |
| 47 Federal Income Taxes                             | (161,892)    | 32,534      | 6,551       | (5,909)       | (141,070)    |
| 48 Other  |              |             |             |               | 1,000        |
| 49 Total Non-Operating Taxes                        | (161,892)    | 32,534      | 6,551       | (5,909)       | (140,070)    |
| 50 Income Available Before Interest Charges         | 368,624      | 386,498     | 385,717     | (1,198,853)   | 1,441,290    |
| <b>INTEREST CHARGES</b>                             |              |             |             |               |              |
| 51 Interest on Funded Debt                          | 102,234      | 72,385      | 68,403      | 60,614        | 58,463       |
| 52 Other Interest Expense                           | 19,687       | 11,128      | 8,732       | 11,562        | 30,046       |
| 53 Total Interest Charges                           | 121,921      | 83,513      | 77,135      | 72,176        | 88,509       |
| 54 Income Before Extraordinary & Nonreg Items       | 246,703      | 302,986     | 308,582     | (1,271,029)   | 1,352,781    |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |              |             |             |               |              |
| 55 Extraordinary Items                              |              |             |             |               |              |
| 56 Nonregulated Revenues                            |              |             |             |               |              |
| 57 Total Extraordinary & Nonregulated Items         |              |             |             |               |              |
| 58 <b>Net Income</b>                                | \$246,703    | \$302,986   | \$308,582   | (\$1,271,029) | \$1,352,781  |
| <b>RETAINED EARNINGS STATEMENT</b>                  |              |             |             |               |              |
| Unappropriated Retained Earnings:                   |              |             |             |               |              |
| 59 Beginning Year Balance                           | \$10,188,106 | \$9,969,389 | \$9,557,160 | \$9,479,278   | \$9,491,407  |
| 60 Transferred from Income                          | 246,703      | 289,698     | 482,841     | 148,349       | 57,962       |
| 61 Appropriations                                   |              |             |             |               |              |
| Dividends Declared:                                 |              |             |             |               |              |
| 62 Preferred Stock                                  |              |             |             |               |              |
| 63 Common Stock                                     | 71,118       | 70,982      | 70,611      | 70,467        | 70,091       |
| 64 Adjustments                                      |              |             |             |               |              |
| 65 Ending Year Balance                              | 10,363,691   | 10,188,105  | 9,969,390   | 9,557,160     | 9,479,278    |
| 66 Appropriated/Undistr Affiliate Retained Earnings | (276,656)    | (276,656)   | (289,944)   | (115,686)     | 1,303,692    |
| 67 <b>Total Retained Earnings</b>                   | \$10,087,035 | \$9,911,449 | \$9,679,445 | \$9,441,474   | \$10,782,970 |

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

|  | 2006               | 2005               | 2004               | 2003               | 2002               |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>CURRENT ASSETS</b>                          |                    |                    |                    |                    |                    |
| 1 Cash and Temporary Cash Investments          | \$1,384,573        | \$1,260,061        | \$1,432,509        | \$1,331,310        | \$1,302,444        |
| 2 Accounts Receivable (Net)                    | 62,031             | 86,239             | 83,998             | 78,124             | 91,570             |
| 3 Current Deferred Income Taxes                |                    |                    |                    |                    |                    |
| 4 Other Current Assets                         | 25,984             | 25,143             | 23,558             | 33,733             | 14,927             |
| 5 Total Current Assets                         | 1,472,588          | 1,371,443          | 1,540,065          | 1,443,167          | 1,408,941          |
| <b>NON-CURRENT ASSETS</b>                      |                    |                    |                    |                    |                    |
| 6 Investments                                  |                    |                    |                    |                    |                    |
| 7 Unamortized Debt Issuance Costs              |                    |                    | 5,051              | 5,246              | 5,440              |
| 8 Deferred Charges                             |                    |                    |                    |                    |                    |
| 9 Other Jurisdictional Assets - Net            |                    |                    |                    |                    |                    |
| 10 Non-Current Deferred Income Taxes           |                    |                    |                    |                    |                    |
| 11 Other Non-Current Assets                    |                    |                    |                    |                    | 24,537             |
| 12 Total Non-Current Assets                    |                    |                    | 5,051              | 5,246              | 29,977             |
| <b>REGULATED PLANT</b>                         |                    |                    |                    |                    |                    |
| 13 Total Telecommunications Plant              | 1,529,987          | 1,511,477          | 1,536,448          | 1,517,750          | 1,582,804          |
| 14 Less: Accumulated Depr and Amort.           | 949,631            | 904,095            | 887,288            | 861,847            | 935,906            |
| 15 Net Regulated Plant                         | 580,356            | 607,382            | 649,160            | 655,903            | 646,897            |
| 16 <b>Total Assets &amp; Other Debits</b>      | <b>\$2,052,944</b> | <b>\$1,978,825</b> | <b>\$2,194,276</b> | <b>\$2,104,316</b> | <b>\$2,085,815</b> |
| <b>CURRENT LIABILITIES</b>                     |                    |                    |                    |                    |                    |
| 17 Accounts Payable                            | \$43,448           | \$62,754           | \$57,971           | \$45,018           | \$32,805           |
| 18 Notes Payable                               |                    |                    |                    |                    |                    |
| 19 Advanced Billings                           | 4,290              | 3,979              | 4,176              | 4,350              | 4,212              |
| 20 Customer Deposits                           |                    |                    |                    |                    |                    |
| 21 Current Maturities - Long-Term Debt         |                    |                    | 7,000              | 6,620              | 6,300              |
| 22 Current Deferred Income Taxes               | (491)              | (139)              | (560)              | (386)              |                    |
| 23 Other Current Liabilities                   | 7,442              | 7,413              | 17,954             | 10,587             | 9,728              |
| 24 Total Current Liabilities                   | 54,689             | 74,007             | 86,541             | 66,189             | 53,045             |
| <b>LONG-TERM DEBT</b>                          |                    |                    |                    |                    |                    |
| 25 Long-Term Debt                              |                    |                    | 276,181            | 282,769            | 288,995            |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b>      |                    |                    |                    |                    |                    |
| 26 Unamortized ITC                             |                    |                    |                    |                    |                    |
| 27 Non-Current Deferred Taxes                  | 155,643            | 139,710            | 130,445            | 132,794            | 148,374            |
| 28 Other Deferred Credits                      |                    | 366                |                    |                    | 2,765              |
| 29 Other Jurisdictional Differences - Net      |                    |                    |                    |                    |                    |
| 30 Other Liabilities                           | (40,008)           | 1,326              | 2,169              | 9,458              | 16,828             |
| 31 Total Other Liab. and Def. Credits          | 115,635            | 141,402            | 132,614            | 142,252            | 167,967            |
| <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                       | 25,570             |                    |                    |                    |                    |
| 35 Retained Earnings                           | 1,855,560          | 1,761,926          | 1,697,450          | 1,611,616          | 1,574,318          |
| 36 Total Stockholder's Equity                  | 1,882,620          | 1,763,416          | 1,698,940          | 1,613,106          | 1,575,808          |
| 37 <b>Total Liab. and Stockholder's Equity</b> | <b>\$2,052,944</b> | <b>\$1,978,825</b> | <b>\$2,194,276</b> | <b>\$2,104,316</b> | <b>\$2,085,815</b> |

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

| INCOME STATEMENT                              | 2006            | 2005            | 2004            | 2003            | 2002              |           |
|---|-----------------|-----------------|-----------------|-----------------|-------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                 |                 |                 |                 |                   |           |
| Local Network Services                        | \$248,827       | \$242,342       | \$254,175       | \$236,834       | \$227,682         | 1         |
| Network Access Services                       | 142,062         | 144,842         | 174,838         | 191,552         | 174,509           | 2         |
| Long Distance Network Services                |                 |                 |                 |                 |                   | 3         |
| Miscellaneous Revenues                        | 59,341          | 64,539          | 68,147          | 58,783          | 84,565            | 4         |
| Less: Uncollectible Revenues                  | 3,225           | 1,336           | 4,449           | 8,681           | 45,107            | 5         |
| Total Operating Revenues                      | 447,005         | 450,387         | 492,711         | 478,488         | 441,650           | 6         |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                 |                 |                 |                 |                   |           |
| Network Support Expenses                      | 1,553           | 2,106           | 1,660           | 1,359           | 775               | 7         |
| General Support Expenses                      | 11,490          | 8,255           | 9,037           | 11,034          | 9,206             | 8         |
| Central Office Switching                      | 5,855           | 3,165           | 3,820           | 4,996           | 6,625             | 9         |
| Operator Systems Expense                      |                 |                 |                 |                 |                   | 10        |
| Central Office Transmission                   | 2,908           | 4,564           | 539             | 1,209           | 2,334             | 11        |
| Info. Origination/Termination                 | 15,766          | 14,744          | 8,996           | 10,372          | 11,612            | 12        |
| Cable & Wire Facilities                       | 11,349          | 11,975          | 9,944           | 5,658           | 8,553             | 13        |
| Total Plant Specific Operations               | 48,921          | 44,809          | 33,996          | 34,628          | 39,105            | 14        |
| Other Plant, Property & Equipment             |                 |                 |                 |                 |                   | 15        |
| Network Operations                            | 37,486          | 39,924          | 33,379          | 34,321          | 33,689            | 16        |
| Access Expense                                | 6,363           | 5,544           | 7,487           |                 |                   | 17        |
| Depreciation and Amortization                 | 55,309          | 56,532          | 70,888          | 75,684          | 111,846           | 18        |
| Total Plant Non-Specific Operations           | 99,158          | 102,000         | 111,754         | 110,005         | 145,535           | 19        |
| Marketing Expense                             | 28,076          | 29,669          | 31,709          | 33,147          | 33,098            | 20        |
| Services Expense                              | 51,896          | 77,514          | 68,594          | 62,757          | 66,740            | 21        |
| Total Customer Operations                     | 79,972          | 107,183         | 100,303         | 95,904          | 99,838            | 22        |
| Executive & Planning                          | 14,087          | 8,531           | 8,745           | 7,184           | 7,052             | 23        |
| General & Administrative                      | 87,699          | 88,451          | 74,237          | 69,839          | 67,430            | 24        |
| Provision - Uncollectible Notes Rec.          |                 |                 |                 |                 |                   | 25        |
| Other   |                 |                 |                 |                 |                   | 26        |
| Total Corporate Operations                    | 101,786         | 96,982          | 82,982          | 77,023          | 74,482            | 27        |
| Total Operations Expense                      | 329,837         | 350,974         | 329,035         | 317,560         | 358,960           | 28        |
| Other Operating Income & Expenses             |                 |                 |                 |                 |                   | 29        |
| State & Local Income Taxes                    |                 |                 |                 |                 |                   | 30        |
| Other Taxes                                   | 34,904          | 32,869          | 33,072          | 32,949          | 35,340            | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>82,264</b>   | <b>66,544</b>   | <b>130,604</b>  | <b>127,979</b>  | <b>47,349</b>     | <b>32</b> |
| Investment Tax Credits - Net                  |                 |                 |                 |                 |                   | 33        |
| Federal Income Taxes                          | 29,458          | 13,839          | 47,281          | 78,391          | 67,796            | 34        |
| Provision - Def. Operating Income Taxes - Net | 1,811           | 9,688           | (2,523)         | 5,806           | 1,424             | 35        |
| <b>Net Operating Income</b>                   | <b>\$50,995</b> | <b>\$43,017</b> | <b>\$85,846</b> | <b>\$43,782</b> | <b>(\$21,871)</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$50,995    | \$43,017    | \$85,846    | \$43,782    | (\$21,871)  |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  |             |             |             |             |             |
| 39 Interest Income                                  | 66,059      | 44,863      | 20,683      | 13,166      | 23,970      |
| 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                       |             | (4,954)     |             |             |             |
| 45 Special Charges                                  | 461         | 422         | 351         | 282         | 119,690     |
| 46 Total Non-Operating Income & Expenses            | 65,598      | 39,487      | 20,332      | 12,884      | (95,720)    |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | 22,959      | 10,478      | 5,828       | 4,499       | (38,055)    |
| 48 Other  |             |             |             |             |             |
| 49 Total Non-Operating Taxes                        | 22,959      | 10,478      | 5,828       | 4,499       | (38,055)    |
| 50 Income Available Before Interest Charges         | 93,634      | 72,026      | 100,350     | 52,167      | (79,536)    |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          |             | 6,985       | 14,322      | 14,623      | 14,912      |
| 52 Other Interest Expense                           |             | 565         | 194         | 247         | 194         |
| 53 Total Interest Charges                           |             | 7,550       | 14,516      | 14,870      | 15,106      |
| 54 Income Before Extraordinary & Nonreg Items       | 93,634      | 64,476      | 85,834      | 37,297      | (94,642)    |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$93,634    | \$64,476    | \$85,834    | \$37,297    | (\$94,642)  |
| <hr/>   |             |             |             |             |             |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$1,761,926 | \$1,697,450 | \$1,611,619 | \$1,574,322 | \$1,668,964 |
| 60 Transferred from Income                          | 93,634      | 64,476      | 85,834      | 37,297      | (94,642)    |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     |             |             |             |             |             |
| 64 Adjustments                                      |             |             |             |             |             |
| 65 Ending Year Balance                              | 1,855,560   | 1,761,926   | 1,697,453   | 1,611,619   | 1,574,322   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |             |             |             |             |             |
| 67 <b>Total Retained Earnings</b>                   | \$1,855,560 | \$1,761,926 | \$1,697,453 | \$1,611,619 | \$1,574,322 |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$553,006   | \$854,505   | \$480,208   | \$693,619   | \$503,981   |
| 2 Accounts Receivable (Net)               | 129,019     | 119,478     | 222,646     | 170,847     | 219,394     |
| 3 Current Deferred Income Taxes           |             |             |             |             |             |
| 4 Other Current Assets                    | 173,460     | 90,066      | 86,306      | 95,109      | 157,823     |
| 5 Total Current Assets                    | 855,485     | 1,064,050   | 789,161     | 959,575     | 881,198     |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             |             | 4,225       | 4,278       | 6,456       | 10,704      |
| 7 Unamortized Debt Issuance Costs         |             | 1,765       | 2,126       | 2,487       | 2,847       |
| 8 Deferred Charges                        | 13,710      | 12,914      | 12,317      | 11,696      | 11,042      |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      | 13,358      |             |             |             |             |
| 11 Other Non-Current Assets               |             |             |             |             |             |
| 12 Total Non-Current Assets               | 27,068      | 18,904      | 18,720      | 20,639      | 24,593      |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 4,613,690   | 4,527,764   | 4,522,985   | 4,480,618   | 3,794,921   |
| 14 Less: Accumulated Depr and Amort.      | 3,308,947   | 3,132,138   | 2,922,711   | 2,653,464   | 2,460,041   |
| 15 Net Regulated Plant                    | 1,304,743   | 1,395,626   | 1,600,274   | 1,827,154   | 1,334,880   |
| 16 Total Assets & Other Debits            | \$2,187,296 | \$2,478,580 | \$2,408,155 | \$2,807,367 | \$2,240,671 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | \$59,440    | \$55,960    | \$50,521    | \$460,097   | \$37,927    |
| 18 Notes Payable                          |             |             |             |             |             |
| 19 Advanced Billings                      | 14,116      | 11,682      | 13,488      | 14,969      | 22,834      |
| 20 Customer Deposits                      | 831         | 633         | 673         | 723         | 863         |
| 21 Current Maturities - Long-Term Debt    |             | 20,096      | 19,534      | 18,993      | 18,897      |
| 22 Current Deferred Income Taxes          |             |             |             |             |             |
| 23 Other Current Liabilities              | 41,485      | 28,694      | 18,826      | 31,391      | 32,416      |
| 24 Total Current Liabilities              | 115,873     | 117,065     | 103,041     | 526,173     | 112,937     |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         |             | 55,376      | 75,473      | 95,007      | 114,001     |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        | 1,181       | 1,881       | 2,677       | 3,639       | 4,695       |
| 27 Non-Current Deferred Taxes             | 374,134     | 350,743     | 301,636     | 272,380     | 216,689     |
| 28 Other Deferred Credits                 | 66,991      | 31,084      | 35,069      | 39,030      | 42,958      |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      | (62,547)    | (13,145)    | 43,741      | 77,845      | 74,367      |
| 31 Total Other Liab. and Def. Credits     | 379,760     | 370,564     | 383,123     | 392,893     | 338,709     |
| <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)    | (83,270)    |
| 35 Retained Earnings                      | 1,678,933   | 1,922,846   | 1,833,788   | 1,780,564   | 1,662,294   |
| 36 Total Stockholder's Equity             | 1,691,663   | 1,935,576   | 1,846,518   | 1,793,294   | 1,675,024   |
| 37 Total Liab. and Stockholder's Equity   | \$2,187,296 | \$2,478,580 | \$2,408,155 | \$2,807,367 | \$2,240,671 |

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

| INCOME STATEMENT                              | 2006             | 2005             | 2004             | 2003             | 2002             |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$411,084        | \$452,975        | \$481,798        | \$492,923        | \$497,470        | 1         |
| Network Access Services                       | 383,595          | 411,211          | 426,092          | 453,886          | 413,711          | 2         |
| Long Distance Network Services                | 748,157          | 839,400          | 731,539          | 616,103          | 650,784          | 3         |
| Miscellaneous Revenues                        | 186,486          | 184,728          | 196,130          | 211,133          | 214,609          | 4         |
| Less: Uncollectible Revenues                  | 2,990            | 2,332            | 3,821            | 2,922            | 2,161            | 5         |
| <b>Total Operating Revenues</b>               | <b>1,726,332</b> | <b>1,885,982</b> | <b>1,831,738</b> | <b>1,771,123</b> | <b>1,774,413</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 7,142            | 6,593            | 4,727            | 4,679            | 6,487            | 7         |
| General Support Expenses                      | 74,229           | 75,423           | 66,392           | 68,555           | 53,889           | 8         |
| Central Office Switching                      | 168,658          | 170,586          | 207,741          | 163,495          | 164,572          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 74,425           | 73,588           | 80,576           | 75,373           | 64,194           | 11        |
| Info. Origination/Termination                 | 24,707           | 29,500           | 28,036           | 25,557           | 27,657           | 12        |
| Cable & Wire Facilities                       | 126,837          | 103,541          | 100,237          | 85,849           | 107,725          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>475,998</b>   | <b>459,231</b>   | <b>487,710</b>   | <b>423,507</b>   | <b>424,524</b>   | <b>14</b> |
| Other Plant, Property & Equipment             |                  |                  |                  |                  |                  | 15        |
| Network Operations                            | 72,617           | 81,699           | 77,156           | 64,701           | 64,147           | 16        |
| Access Expense                                | 27,924           | 26,402           | 16,881           | 23,918           | 22,784           | 17        |
| Depreciation and Amortization                 | 260,759          | 279,292          | 295,413          | 260,542          | 313,440          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>361,300</b>   | <b>387,393</b>   | <b>389,450</b>   | <b>349,161</b>   | <b>400,371</b>   | <b>19</b> |
| Marketing Expense                             | 5,104            | 11,097           | 9,613            | 11,745           | 20,575           | 20        |
| Services Expense                              | 193,628          | 165,603          | 158,641          | 152,903          | 158,082          | 21        |
| <b>Total Customer Operations</b>              | <b>198,732</b>   | <b>176,700</b>   | <b>168,254</b>   | <b>164,648</b>   | <b>178,657</b>   | <b>22</b> |
| Executive & Planning                          | 176,217          | 200,323          | 218,999          | 292,689          | 262,066          | 23        |
| General & Administrative                      | 375,140          | 405,148          | 382,300          | 274,481          | 300,208          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>551,357</b>   | <b>605,470</b>   | <b>601,299</b>   | <b>567,170</b>   | <b>562,274</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>1,587,387</b> | <b>1,628,795</b> | <b>1,646,712</b> | <b>1,504,486</b> | <b>1,565,826</b> | <b>28</b> |
| Other Operating Income & Expenses             | 5,075            | 1,520            | 2,647            | 2,831            | 5,749            | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 88,048           | 90,081           | 88,631           | 82,068           | 76,152           | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>55,972</b>    | <b>168,626</b>   | <b>99,042</b>    | <b>187,399</b>   | <b>138,184</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                  |                  |                  | 33        |
| Federal Income Taxes                          | 2,244            | 5,823            | (18,630)         | 11,313           | 4,057            | 34        |
| Provision - Def. Operating Income Taxes - Net | 6,186            | 45,262           | 25,409           | 51,844           | 27,912           | 35        |
| <b>Net Operating Income</b>                   | <b>\$47,542</b>  | <b>\$117,541</b> | <b>\$92,263</b>  | <b>\$124,242</b> | <b>\$106,215</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$47,542    | \$117,541   | \$92,263    | \$124,242   | \$106,215   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  |             | 1,607       | 1,380       | 798         | 672         |
| 39 Interest Income                                  | 24,232      | 17,180      | 6,565       | 6,735       | 9,784       |
| 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                       | 39,240      |             |             |             |             |
| 45 Special Charges                                  | 818         | 2,105       | 1,440       | 1,129       | 892         |
| 46 Total Non-Operating Income & Expenses            | 62,655      | 16,682      | 6,505       | 6,404       | 9,564       |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | 13,778      | (796)       | (961)       | (1,056)     | (1,214)     |
| 48 Other  | 2,291       |             |             |             |             |
| 49 Total Non-Operating Taxes                        | 16,069      | (796)       | (961)       | (1,056)     | (1,214)     |
| 50 Income Available Before Interest Charges         | 94,127      | 135,018     | 99,728      | 131,701     | 116,993     |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          | 1,750       | 4,313       | 4,860       | 5,377       | 5,976       |
| 52 Other Interest Expense                           | 289         | (353)       | (358)       | (346)       | (222)       |
| 53 Total Interest Charges                           | 2,039       | 3,960       | 4,502       | 5,031       | 5,754       |
| 54 Income Before Extraordinary & Nonreg Items       | 92,088      | 131,058     | 95,226      | 126,670     | 111,239     |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$92,088    | \$131,058   | \$95,226    | \$126,670   | \$111,239   |
| <hr/>   |             |             |             |             |             |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$1,922,845 | \$1,833,788 | \$1,780,564 | \$1,662,294 | \$1,559,455 |
| 60 Transferred from Income                          | 92,088      | 131,058     | 95,226      | 126,670     | 111,239     |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     | 336,000     | 42,000      | 42,000      | 8,400       | 8,400       |
| 64 Adjustments                                      |             |             |             |             |             |
| 65 Ending Year Balance                              | 1,678,933   | 1,922,846   | 1,833,790   | 1,780,564   | 1,662,294   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |             |             |             |             |             |
| 67 <b>Total Retained Earnings</b>                   | \$1,678,933 | \$1,922,846 | \$1,833,790 | \$1,780,564 | \$1,662,294 |

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

|   | 2006        | 2005        | 2004         | 2003         | 2002         |
|---|-------------|-------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |             |             |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$923,692   | \$220,639   | \$9,570,181  | \$9,171,481  | \$8,909,711  |
| 2 Accounts Receivable (Net)               | 495,293     | 627,668     | 496,661      | 680,568      | 569,557      |
| 3 Current Deferred Income Taxes           |             |             |              |              |              |
| 4 Other Current Assets                    | 148,767     | 154,089     | 178,054      | 204,381      | 112,172      |
| 5 Total Current Assets                    | 1,567,752   | 1,002,396   | 10,244,896   | 10,056,430   | 9,591,440    |
| <b>NON-CURRENT ASSETS</b>                 |             |             |              |              |              |
| 6 Investments                             | 181,910     | 269,927     | 305,135      | 342,375      | 439,875      |
| 7 Unamortized Debt Issuance Costs         |             |             | 3,692        | 4,275        | 4,858        |
| 8 Deferred Charges                        |             | 35,309      | 48,138       | 20,143       | 9,571        |
| 9 Other Jurisdictional Assets - Net       |             |             |              |              |              |
| 10 Non-Current Deferred Income Taxes      |             |             |              |              |              |
| 11 Other Non-Current Assets               |             |             |              |              | 140,996      |
| 12 Total Non-Current Assets               | 181,910     | 305,236     | 356,965      | 366,793      | 595,300      |
| <b>REGULATED PLANT</b>                    |             |             |              |              |              |
| 13 Total Telecommunications Plant         | 10,598,878  | 10,565,469  | 10,186,548   | 10,107,739   | 10,297,308   |
| 14 Less: Accumulated Depr and Amort.      | 5,848,162   | 5,362,226   | 4,936,651    | 4,554,283    | 4,701,625    |
| 15 Net Regulated Plant                    | 4,750,716   | 5,203,243   | 5,249,897    | 5,553,456    | 5,595,683    |
| 16 Total Assets & Other Debits            | \$6,500,378 | \$6,510,875 | \$15,851,758 | \$15,976,679 | \$15,782,423 |
| <b>CURRENT LIABILITIES</b>                |             |             |              |              |              |
| 17 Accounts Payable                       | \$272,237   | \$358,385   | \$337,102    | \$298,406    | \$307,402    |
| 18 Notes Payable                          |             |             |              |              |              |
| 19 Advanced Billings                      | 5,105       |             |              | 119          | 137          |
| 20 Customer Deposits                      |             |             |              |              |              |
| 21 Current Maturities - Long-Term Debt    | 52,508      | 35,208      | 359,350      | 342,948      | 317,808      |
| 22 Current Deferred Income Taxes          | (4,235)     | (2,800)     | (3,955)      | (2,590)      |              |
| 23 Other Current Liabilities              | 113,308     | 156,960     | 77,327       | 114,829      | 58,195       |
| 24 Total Current Liabilities              | 438,923     | 547,753     | 769,824      | 753,712      | 683,542      |
| <b>LONG-TERM DEBT</b>                     |             |             |              |              |              |
| 25 Long-Term Debt                         | 161,117     | 213,626     | 2,110,032    | 2,476,120    | 2,871,221    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |              |              |              |
| 26 Unamortized ITC                        |             |             |              |              |              |
| 27 Non-Current Deferred Taxes             | 599,146     | 703,434     | 749,296      | 700,984      | 789,400      |
| 28 Other Deferred Credits                 | 373,193     | 184,411     | 213,052      | 252,343      | 285,140      |
| 29 Other Jurisdictional Differences - Net |             |             |              |              |              |
| 30 Other Liabilities                      | 51,123      | 12,023      | 18,455       | 21,981       | 11,338       |
| 31 Total Other Liab. and Def. Credits     | 1,023,462   | 899,868     | 980,803      | 975,308      | 1,085,878    |
| <b>STOCKHOLDER'S EQUITY</b>               |             |             |              |              |              |
| 32 Common Stock                           | 60,002      | 60,002      | 60,002       | 60,002       | 60,002       |
| 33 Preferred Stock                        |             |             |              |              |              |
| 34 Other Paid in Capital                  | 30,764      | 57,079      | 57,079       | 57,079       | 57,079       |
| 35 Retained Earnings                      | 4,786,110   | 4,732,547   | 11,874,018   | 11,654,458   | 11,024,701   |
| 36 Total Stockholder's Equity             | 4,876,876   | 4,849,628   | 11,991,099   | 11,771,539   | 11,141,783   |
| 37 Total Liab. and Stockholder's Equity   | \$6,500,378 | \$6,510,875 | \$15,851,758 | \$15,976,679 | \$15,782,423 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>       | <b>2005</b>      | <b>2004</b>      | <b>2003</b>        | <b>2002</b>      |           |
|---|-------------------|------------------|------------------|--------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                   |                  |                  |                    |                  |           |
| Local Network Services                        | \$762,043         | 792,802          | 837,523          | 751,199            | 645,507          | 1         |
| Network Access Services                       | 1,554,918         | 1,661,037        | 1,645,253        | 1,621,910          | 1,634,187        | 2         |
| Long Distance Network Services                |                   |                  |                  | (2)                |                  | 3         |
| Miscellaneous Revenues                        | 395,020           | 416,618          | 430,084          | 474,326            | 556,210          | 4         |
| Less: Uncollectible Revenues                  | 20,399            | 13,617           | 25,003           | 25,818             | 52,532           | 5         |
| <b>Total Operating Revenues</b>               | <b>2,691,582</b>  | <b>2,856,840</b> | <b>2,887,857</b> | <b>2,821,615</b>   | <b>2,783,372</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                   |                  |                  |                    |                  |           |
| Network Support Expenses                      | 16,397            | 16,157           | 12,163           | 7,675              | 12,133           | 7         |
| General Support Expenses                      | 49,800            | 45,479           | 41,740           | 46,317             | 60,039           | 8         |
| Central Office Switching                      | 88,801            | 84,400           | 92,121           | 82,335             | 59,695           | 9         |
| Operator Systems Expense                      |                   |                  |                  |                    |                  | 10        |
| Central Office Transmission                   | 178,045           | 100,170          | 16,025           | 29,814             | 18,548           | 11        |
| Info. Origination/Termination                 | 186,332           | 152,050          | 245,561          | 305,127            | 235,408          | 12        |
| Cable & Wire Facilities                       | 124,323           | 108,263          | 122,050          | 132,941            | 117,268          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>643,698</b>    | <b>506,519</b>   | <b>529,660</b>   | <b>604,209</b>     | <b>503,091</b>   | <b>14</b> |
| Other Plant, Property & Equipment             |                   |                  | (1)              |                    |                  | 15        |
| Network Operations                            | 268,859           | 309,358          | 230,261          | 242,035            | 233,040          | 16        |
| Access Expense                                | 61,825            | 96,292           | 37,830           | 29,853             | 17,855           | 17        |
| Depreciation and Amortization                 | 698,907           | 666,082          | 625,361          | 593,974            | 719,623          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,029,591</b>  | <b>1,071,732</b> | <b>893,451</b>   | <b>865,862</b>     | <b>970,518</b>   | <b>19</b> |
| Marketing Expense                             | 143,042           | 182,461          | 208,229          | 234,278            | 229,148          | 20        |
| Services Expense                              | 247,107           | 189,895          | 231,183          | 358,813            | 392,736          | 21        |
| <b>Total Customer Operations</b>              | <b>390,149</b>    | <b>372,356</b>   | <b>439,412</b>   | <b>593,091</b>     | <b>621,884</b>   | <b>22</b> |
| Executive & Planning                          | 97,363            | 177,014          | 154,459          | 81,807             | 36,162           | 23        |
| General & Administrative                      | 420,842           | 412,678          | 356,343          | 356,933            | 332,250          | 24        |
| Provision - Uncollectible Notes Rec.          |                   |                  |                  |                    |                  | 25        |
| Other   |                   |                  |                  |                    |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>518,205</b>    | <b>589,692</b>   | <b>510,802</b>   | <b>438,740</b>     | <b>368,412</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>2,581,643</b>  | <b>2,540,299</b> | <b>2,373,325</b> | <b>2,501,902</b>   | <b>2,463,905</b> | <b>28</b> |
| Other Operating Income & Expenses             |                   |                  |                  |                    |                  | 29        |
| State & Local Income Taxes                    |                   |                  |                  |                    |                  | 30        |
| Other Taxes                                   | 165,479           | 190,540          | 186,183          | 182,248            | 221,018          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(55,540)</b>   | <b>126,001</b>   | <b>328,349</b>   | <b>137,465</b>     | <b>98,449</b>    | <b>32</b> |
| Investment Tax Credits - Net                  |                   |                  |                  |                    | 4,035            | 33        |
| Federal Income Taxes                          | (19,392)          | 87,550           | 55,342           | (1,663,671)        | 16,941           | 34        |
| Provision - Def. Operating Income Taxes - Net | (8,619)           | (44,709)         | 46,947           | 49,990             | 8,952            | 35        |
| <b>Net Operating Income</b>                   | <b>(\$27,529)</b> | <b>\$83,160</b>  | <b>\$226,060</b> | <b>\$1,751,146</b> | <b>\$76,591</b>  | <b>36</b> |

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

|   | 2006        | 2005         | 2004         | 2003         | 2002         |
|---|-------------|--------------|--------------|--------------|--------------|
| 37 <b>Net Operating Income</b>                      | (\$27,529)  | \$83,160     | \$226,060    | \$1,751,146  | \$76,591     |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |              |              |              |              |
| 38 Dividend Income                                  |             | 12,188       | 7,200        | 4,032        | 3,150        |
| 39 Interest Income                                  | 37,218      | 255,712      | 139,117      | 169,889      | 171,368      |
| 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                       | 91,960      | (7,254)      |              | (39)         | (173)        |
| 45 Special Charges                                  | 2,787       | 3,982        | 4,168        | 2,429        | 3,654        |
| 46 Total Non-Operating Income & Expenses            | 126,391     | 256,664      | 142,149      | 171,453      | 170,691      |
| <b>NON-OPERATING TAXES</b>                          |             |              |              |              |              |
| 47 Federal Income Taxes                             | 43,912      | 51,952       | 20,895       | 1,957,290    | 22,760       |
| 48 Other  | 87          |              |              | (807,409)    |              |
| 49 Total Non-Operating Taxes                        | 43,999      | 51,952       | 20,895       | 1,149,881    | 22,760       |
| 50 Income Available Before Interest Charges         | 54,863      | 287,872      | 347,314      | 772,718      | 224,522      |
| <b>INTEREST CHARGES</b>                             |             |              |              |              |              |
| 51 Interest on Funded Debt                          |             | 56,448       | 126,493      | 142,239      | 156,771      |
| 52 Other Interest Expense                           | 1,300       | 3,895        | 1,261        | 723          | 22,545       |
| 53 Total Interest Charges                           | 1,300       | 60,343       | 127,754      | 142,962      | 179,316      |
| 54 Income Before Extraordinary & Nonreg Items       | 53,563      | 227,529      | 219,560      | 629,756      | 45,205       |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |              |              |              |              |
| 55 Extraordinary Items                              |             |              |              |              |              |
| 56 Nonregulated Revenues                            |             |              |              |              |              |
| 57 Total Extraordinary & Nonregulated Items         |             |              |              |              |              |
| 58 <b>Net Income</b>                                | \$53,563    | \$227,529    | \$219,560    | \$629,756    | \$45,205     |
| <hr/>   |             |              |              |              |              |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |              |              |              |              |
| Unappropriated Retained Earnings:                   |             |              |              |              |              |
| 59 Beginning Year Balance                           | \$4,732,547 | \$11,874,018 | \$11,654,458 | \$11,024,702 | \$10,994,496 |
| 60 Transferred from Income                          | 53,563      | 227,529      | 219,560      | \$629,756    | 45,205       |
| 61 Appropriations                                   |             |              |              |              |              |
| Dividends Declared:                                 |             |              |              |              |              |
| 62 Preferred Stock                                  |             |              |              |              |              |
| 63 Common Stock                                     |             | 7,369,000    |              |              |              |
| 64 Adjustments                                      |             |              |              |              | (15,000)     |
| 65 Ending Year Balance                              | 4,786,110   | 4,732,547    | 11,874,018   | 11,654,458   | 11,024,702   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |             |              |              |              |              |
| 67 <b>Total Retained Earnings</b>                   | \$4,786,110 | \$4,732,547  | \$11,874,018 | \$11,654,458 | \$11,024,702 |

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

|   | 2006          | 2005          | 2004          | 2003            | 2002            |
|---|---------------|---------------|---------------|-----------------|-----------------|
| <b>CURRENT ASSETS</b>                     |               |               |               |                 |                 |
| 1 Cash and Temporary Cash Investments     | \$851,328     | \$512,311     | \$450,716     | \$2,184,662     | \$10,249,105    |
| 2 Accounts Receivable (Net)               | 81,707,918    | 84,823,657    | 83,001,825    | 259,680,571     | 543,942,857     |
| 3 Current Deferred Income Taxes           |               |               |               |                 | 2,989,233       |
| 4 Other Current Assets                    | 13,172,466    | 13,530,367    | 13,393,157    | 16,813,892      | 21,435,701      |
| 5 Total Current Assets                    | 95,731,712    | 98,866,336    | 96,845,697    | 278,679,125     | 578,616,896     |
| <b>NON-CURRENT ASSETS</b>                 |               |               |               |                 |                 |
| 6 Investments                             | 116,191,219   | 13,282,179    | (28,690,033)  | 268,080,378     | (471,226,541)   |
| 7 Unamortized Debt Issuance Costs         |               |               |               |                 |                 |
| 8 Deferred Charges                        | (63,795)      | 426,993       | 48,909        | (567,274)       | (1,707,306)     |
| 9 Other Jurisdictional Assets - Net       |               |               |               |                 |                 |
| 10 Non-Current Deferred Income Taxes      |               |               |               |                 | 282,618,262     |
| 11 Other Non-Current Assets               | 184,890,250   | 185,055,250   | 188,285,250   | 193,384,974     | 204,581,585     |
| 12 Total Non-Current Assets               | 301,017,674   | 198,764,422   | 159,644,126   | 460,898,078     | 14,266,000      |
| <b>REGULATED PLANT</b>                    |               |               |               |                 |                 |
| 13 Total Telecommunications Plant         | 1,420,548,003 | 1,400,353,222 | 1,387,816,834 | 1,357,566,544   | 1,333,952,521   |
| 14 Less: Accumulated Depr and Amort.      | 892,159,241   | 839,629,993   | 795,857,132   | 737,051,640     | 680,986,552     |
| 15 Net Regulated Plant                    | 528,388,762   | 560,723,229   | 591,959,702   | 620,514,904     | 652,965,969     |
| 16 Total Assets & Other Debits            | \$925,138,148 | \$858,353,987 | \$848,449,524 | \$1,360,092,108 | \$1,245,848,865 |
| <b>CURRENT LIABILITIES</b>                |               |               |               |                 |                 |
| 17 Accounts Payable                       | \$35,593,639  | \$41,094,741  | \$94,500,832  | \$633,671,315   | \$41,409,138    |
| 18 Notes Payable                          |               |               |               |                 |                 |
| 19 Advanced Billings                      | 3,713,973     | 3,893,387     | 4,315,748     | 4,142,157       | 4,270,932       |
| 20 Customer Deposits                      | 26,509        | 59,706        | 100,412       | 142,824         | 290,300         |
| 21 Current Maturities - Long-Term Debt    |               |               |               |                 |                 |
| 22 Current Deferred Income Taxes          |               |               |               |                 | 745,969         |
| 23 Other Current Liabilities              | 9,327,712     | 8,908,054     | 10,089,550    | 12,452,874      | 17,129,971      |
| 24 Total Current Liabilities              | 48,661,833    | 53,955,888    | 109,006,542   | 650,409,169     | 63,846,310      |
| <b>LONG-TERM DEBT</b>                     |               |               |               |                 |                 |
| 25 Long-Term Debt                         |               |               |               |                 |                 |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |               |               |               |                 |                 |
| 26 Unamortized ITC                        |               |               |               |                 | 3,271,452       |
| 27 Non-Current Deferred Taxes             | 77,705,800    | 56,759,978    | 38,005,266    | 29,384,773      | 493,403,672     |
| 28 Other Deferred Credits                 | (16,316,615)  | (14,953,664)  | (13,919,784)  | (9,177,567)     | (5,838,466)     |
| 29 Other Jurisdictional Differences - Net |               |               |               |                 |                 |
| 30 Other Liabilities                      | 104,190,955   | 98,363,817    | 90,986,107    | 98,872,893      | 78,461,847      |
| 31 Total Other Liab. and Def. Credits     | 165,580,141   | 140,170,132   | 115,071,589   | 119,080,098     | 569,298,505     |
| <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     | 451,236,610     |
| 35 Retained Earnings                      | 259,659,564   | 212,991,357   | 173,134,777   | 139,366,226     | 161,467,441     |
| 36 Total Stockholder's Equity             | 710,896,174   | 664,227,967   | 624,371,387   | 590,602,836     | 612,704,051     |
| 37 Total Liab. and Stockholder's Equity   | \$925,138,148 | \$858,353,987 | \$848,449,518 | \$1,360,092,103 | \$1,245,848,865 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>         | <b>2005</b>         | <b>2004</b>         | <b>2003</b>         | <b>2002</b>         |           |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                     |                     |                     |                     |                     |           |
| Local Network Services                        | \$149,758,574       | \$158,986,026       | \$166,019,418       | \$170,566,593       | \$175,599,570       | 1         |
| Network Access Services                       | 90,415,128          | 107,708,627         | 104,793,356         | 99,803,373          | 98,852,179          | 2         |
| Long Distance Network Services                | 1,734,709           | 2,196,598           | 2,464,887           | 3,019,353           | 3,674,965           | 3         |
| Miscellaneous Revenues                        | 84,817,132          | 70,103,826          | 72,012,603          | 76,939,577          | 80,617,133          | 4         |
| Less: Uncollectible Revenues                  | 2,919,517           | 3,110,744           | 3,102,236           | 10,124,761          | 3,665,668           | 5         |
| <b>Total Operating Revenues</b>               | <b>323,806,026</b>  | <b>335,884,333</b>  | <b>342,188,028</b>  | <b>340,204,135</b>  | <b>355,078,179</b>  | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                     |                     |                     |                     |                     |           |
| Network Support Expenses                      | 347,984             | 350,830             | 432,265             | 272,333             | 216,652             | 7         |
| General Support Expenses                      | 15,933,424          | 19,280,686          | 27,146,333          | 19,069,319          | 15,007,008          | 8         |
| Central Office Switching                      | 9,054,441           | 8,954,538           | 9,718,302           | 11,934,277          | 12,188,583          | 9         |
| Operator Systems Expense                      | 221,443             | 495,622             | 500,045             | 253,405             | 396,482             | 10        |
| Central Office Transmission                   | 5,761,252           | 5,581,298           | 5,302,390           | 3,659,971           | 3,401,474           | 11        |
| Info. Origination/Termination                 | 6,511,953           | 5,679,359           | 5,903,480           | 8,637,772           | 7,228,786           | 12        |
| Cable & Wire Facilities                       | 27,755,642          | 29,386,226          | 32,428,805          | 33,034,950          | 28,487,748          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>65,586,138</b>   | <b>69,728,560</b>   | <b>81,431,620</b>   | <b>76,862,025</b>   | <b>66,926,732</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | (625)               | 527                 | 1,780               | 1,064               | (2,603)             | 15        |
| Network Operations                            | 23,825,945          | 24,353,363          | 22,333,165          | 24,629,678          | 21,836,512          | 16        |
| Access Expense                                | 9,904,262           | 12,072,783          | 11,158,298          | 12,969,581          | 8,038,606           | 17        |
| Depreciation and Amortization                 | 69,411,916          | 72,655,379          | 71,698,324          | 31,983,144          | 63,244,522          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>103,141,498</b>  | <b>109,082,053</b>  | <b>105,191,567</b>  | <b>69,583,467</b>   | <b>93,117,037</b>   | <b>19</b> |
| Marketing Expense                             | 11,250,545          | 10,261,648          | 9,285,070           | 9,650,029           | 10,335,953          | 20        |
| Services Expense                              | 34,969,600          | 39,107,058          | 39,744,511          | 44,276,658          | 44,628,579          | 21        |
| <b>Total Customer Operations</b>              | <b>46,220,145</b>   | <b>49,368,706</b>   | <b>49,029,581</b>   | <b>53,926,686</b>   | <b>54,964,532</b>   | <b>22</b> |
| Executive & Planning                          | 3,547,014           | 3,942,235           | 20,628,563          | 3,986,616           | 1,434,134           | 23        |
| General & Administrative                      | 16,848,974          | 17,949,465          | 21,064,771          | 21,938,521          | 21,177,787          | 24        |
| Provision - Uncollectible Notes Rec.          |                     |                     |                     |                     |                     | 25        |
| Other   |                     |                     |                     |                     |                     | 26        |
| <b>Total Corporate Operations</b>             | <b>20,395,988</b>   | <b>21,891,700</b>   | <b>41,693,333</b>   | <b>25,925,137</b>   | <b>22,611,920</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>235,343,770</b>  | <b>250,071,017</b>  | <b>277,346,101</b>  | <b>226,297,315</b>  | <b>237,620,222</b>  | <b>28</b> |
| Other Operating Income & Expenses             |                     |                     |                     |                     |                     | 29        |
| State & Local Income Taxes                    |                     |                     | (3,349)             | (44)                |                     | 30        |
| Other Taxes                                   | 21,440,996          | 21,448,332          | 20,472,341          | 22,166,766          | 17,239,157          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>67,021,261</b>   | <b>64,364,983</b>   | <b>44,372,936</b>   | <b>91,740,098</b>   | <b>100,218,800</b>  | <b>32</b> |
| Investment Tax Credits - Net                  |                     |                     |                     |                     |                     | 33        |
| Federal Income Taxes                          | 19,951,494          | 23,896,043          | 16,977,162          | (189,078)           | (15,623,629)        | 34        |
| Provision - Def. Operating Income Taxes - Net | 1,872,231           | (3,067,948)         | 2,959,097           | 16,211,766          | 26,015,625          | 35        |
| <b>Net Operating Income</b>                   | <b>\$45,197,536</b> | <b>\$43,536,888</b> | <b>\$24,436,677</b> | <b>\$75,717,410</b> | <b>\$89,826,803</b> | <b>36</b> |

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

|   | 2006          | 2005          | 2004          | 2003          | 2002          |
|---|---------------|---------------|---------------|---------------|---------------|
| 37 <b>Net Operating Income</b>                      | \$45,197,536  | \$43,536,888  | \$24,436,677  | \$75,717,410  | \$89,826,803  |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |               |               |               |               |               |
| 38 Dividend Income                                  |               |               |               |               |               |
| 39 Interest Income                                  | 6,088,461     | 220,838       | 12,245,086    | 2,789,321     | 32,821        |
| 40 Income - Sinking and Other Funds                 |               |               |               |               |               |
| 41 Allowance for Funds Used During Construction     | 513,296       | 489,260       | 537,104       | 656,573       | 2,768,830     |
| 42 Gains/Losses - Disposal of Property              |               |               | 12,000        |               |               |
| 43 Equity in Earnings of Affiliated Companies       |               |               |               |               |               |
| 44 Other Non-Operating Income                       | 1,311,313     | 1,227,185     | 4,091,478     | 3,544,442     | 2,908,899     |
| 45 Special Charges                                  | 384,825       | 166,842       | 655,850       | 1,062,217     | 829,611       |
| 46 Total Non-Operating Income & Expenses            | 7,528,244     | 1,770,441     | 16,229,818    | 5,928,119     | 4,880,939     |
| <b>NON-OPERATING TAXES</b>                          |               |               |               |               |               |
| 47 Federal Income Taxes                             |               |               |               |               |               |
| 48 Other  |               |               |               |               |               |
| 49 Total Non-Operating Taxes                        |               |               |               |               |               |
| 50 Income Available Before Interest Charges         | 52,725,780    | 45,307,329    | 40,666,495    | 81,645,529    | 94,707,742    |
| <b>INTEREST CHARGES</b>                             |               |               |               |               |               |
| 51 Interest on Funded Debt                          |               |               |               |               | 717,622       |
| 52 Other Interest Expense                           | 6,057,574     | 5,450,748     | 6,897,943     | 53,450,211    | 24,394,165    |
| 53 Total Interest Charges                           | 6,057,574     | 5,450,748     | 6,897,943     | 53,450,211    | 25,111,787    |
| 54 Income Before Extraordinary & Nonreg Items       | 46,668,206    | 39,856,581    | 33,768,552    | 28,195,318    | 69,595,955    |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |               |               |               |               |               |
| 55 Extraordinary Items                              |               |               |               |               |               |
| 56 Nonregulated Revenues                            |               |               |               |               |               |
| 57 Total Extraordinary & Nonregulated Items         |               |               |               |               |               |
| 58 <b>Net Income</b>                                | \$46,668,206  | \$39,856,581  | \$33,768,552  | \$28,195,318  | \$69,595,955  |
| <hr/>   |               |               |               |               |               |
| <b>RETAINED EARNINGS STATEMENT</b>                  |               |               |               |               |               |
| Unappropriated Retained Earnings:                   |               |               |               |               |               |
| 59 Beginning Year Balance                           | \$212,991,358 | \$173,134,778 | \$139,366,226 | \$111,170,913 | \$91,871,489  |
| 60 Transferred from Income                          | 46,668,206    | 39,856,581    | 33,768,552    | 28,195,318    | 69,595,955    |
| 61 Appropriations                                   |               |               |               |               |               |
| Dividends Declared:                                 |               |               |               |               |               |
| 62 Preferred Stock                                  |               |               |               |               |               |
| 63 Common Stock                                     |               |               |               |               |               |
| 64 Adjustments                                      |               |               |               | (4)           | (50,296,532)  |
| 65 Ending Year Balance                              | 259,659,564   | 212,991,359   | 173,134,778   | 139,366,226   | 111,170,913   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |               |               |               |               |               |
| 67 <b>Total Retained Earnings</b>                   | \$259,659,564 | \$212,991,359 | \$173,134,778 | \$139,366,226 | \$111,170,913 |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$259,519   | (\$3,612)   | \$371,593   | \$443,716   | \$725,279   |
| 2 Accounts Receivable (Net)               | 504,185     | 476,773     | 516,517     | 485,731     | 507,712     |
| 3 Current Deferred Income Taxes           |             |             |             |             |             |
| 4 Other Current Assets                    | 431,335     | 440,043     | 422,215     | 357,164     | 345,171     |
| 5 Total Current Assets                    | 1,195,039   | 913,204     | 1,310,325   | 1,286,611   | 1,578,162   |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             | 994,317     | 941,662     | 770,035     | 586,932     | 463,506     |
| 7 Unamortized Debt Issuance Costs         |             |             |             |             |             |
| 8 Deferred Charges                        | 69,705      | 69,705      | 64,735      | 274,213     | 141,817     |
| 9 Other Jurisdictional Assets - Net       |             |             |             |             |             |
| 10 Non-Current Deferred Income Taxes      |             |             |             |             |             |
| 11 Other Non-Current Assets               |             |             |             |             | 147,628     |
| 12 Total Non-Current Assets               | 1,064,022   | 1,011,367   | 834,770     | 861,145     | 752,951     |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 17,934,084  | 17,141,611  | 16,182,929  | 15,329,519  | 14,424,006  |
| 14 Less: Accumulated Depr and Amort.      | 13,368,234  | 12,414,793  | 11,451,700  | 10,651,436  | 9,860,385   |
| 15 Net Regulated Plant                    | 4,565,850   | 4,726,818   | 4,731,229   | 4,678,083   | 4,563,621   |
| 16 Total Assets & Other Debits            | \$6,824,911 | \$6,651,389 | \$6,876,324 | \$6,825,839 | \$6,894,734 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | \$65,953    | \$76,468    | \$61,158    | \$131,871   | \$188,630   |
| 18 Notes Payable                          |             |             |             |             |             |
| 19 Advanced Billings                      |             |             |             |             |             |
| 20 Customer Deposits                      | 18,419      | 18,943      | 19,853      | 20,088      | 21,537      |
| 21 Current Maturities - Long-Term Debt    |             |             |             |             |             |
| 22 Current Deferred Income Taxes          |             |             |             |             |             |
| 23 Other Current Liabilities              | 174,388     | 149,250     | 106,340     | (51,364)    | 91,547      |
| 24 Total Current Liabilities              | 258,760     | 244,661     | 187,351     | 100,595     | 301,714     |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         |             |             |             |             |             |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        |             |             |             |             |             |
| 27 Non-Current Deferred Taxes             | (39,823)    | 68,724      | 233,971     | 308,341     | 251,943     |
| 28 Other Deferred Credits                 | 540,352     | 569,885     | 542,228     | 570,495     | 532,786     |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      | 1,215,848   | 1,171,473   | 1,120,312   | 1,073,529   | 976,347     |
| 31 Total Other Liab. and Def. Credits     | 1,716,377   | 1,810,082   | 1,896,511   | 1,952,365   | 1,761,076   |
| <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                      | 4,769,774   | 4,516,646   | 4,712,462   | 4,692,879   | 4,751,944   |
| 36 Total Stockholder's Equity             | 4,849,774   | 4,596,646   | 4,792,462   | 4,772,879   | 4,831,944   |
| 37 Total Liab. and Stockholder's Equity   | \$6,824,911 | \$6,651,389 | \$6,876,324 | \$6,825,839 | \$6,894,734 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$1,343,747      | \$1,358,235      | \$1,463,020      | \$1,464,262      | \$1,499,410      | 1         |
| Network Access Services                       | 1,884,780        | 1,943,155        | 2,109,367        | 2,040,646        | 2,083,683        | 2         |
| Long Distance Network Services                | 887,587          | 1,022,824        | 1,019,838        | 992,677          | 895,643          | 3         |
| Miscellaneous Revenues                        | 919,919          | 887,666          | 820,772          | 827,399          | 743,240          | 4         |
| Less: Uncollectible Revenues                  | 11,620           | (8,872)          | (4,855)          | 16,192           | 25,735           | 5         |
| <b>Total Operating Revenues</b>               | <b>5,024,413</b> | <b>5,220,752</b> | <b>5,417,852</b> | <b>5,308,792</b> | <b>5,196,241</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 34,819           | 40,335           | 30,016           | 28,781           | 53,625           | 7         |
| General Support Expenses                      | 233,155          | 236,675          | 231,173          | 270,849          | 238,385          | 8         |
| Central Office Switching                      | 507,802          | 422,753          | 437,949          | 311,533          | 205,499          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 26,331           | 32,204           | 14,391           | 20,897           | 12,450           | 11        |
| Info. Origination/Termination                 | 253,832          | 270,351          | 264,121          | 253,904          | 231,286          | 12        |
| Cable & Wire Facilities                       | 193,597          | 269,746          | 266,469          | 188,883          | 271,056          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>1,249,536</b> | <b>1,272,064</b> | <b>1,244,119</b> | <b>1,074,847</b> | <b>1,012,301</b> | <b>14</b> |
| Other Plant, Property & Equipment             | 74,401           | 71,881           | 71,599           | 66,700           | 64,151           | 15        |
| Network Operations                            | 307,844          | 301,802          | 278,950          | 262,994          | 262,127          | 16        |
| Access Expense                                |                  | 69,616           | 69,099           | 54,941           | 41,245           | 17        |
| Depreciation and Amortization                 | 962,393          | 1,028,726        | 970,352          | 918,383          | 891,095          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,344,638</b> | <b>1,472,025</b> | <b>1,390,000</b> | <b>1,303,018</b> | <b>1,258,618</b> | <b>19</b> |
| Marketing Expense                             | 31,940           | 26,782           | 25,537           | 19,707           | 13,657           | 20        |
| Services Expense                              | 723,862          | 695,610          | 678,654          | 754,270          | 704,446          | 21        |
| <b>Total Customer Operations</b>              | <b>755,802</b>   | <b>722,392</b>   | <b>704,191</b>   | <b>773,977</b>   | <b>718,103</b>   | <b>22</b> |
| Executive & Planning                          | 397,142          | 577,696          | 598,222          | 541,700          | 542,000          | 23        |
| General & Administrative                      | 271,570          | 320,183          | 321,035          | 333,094          | 367,718          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>668,712</b>   | <b>897,879</b>   | <b>919,257</b>   | <b>874,794</b>   | <b>909,718</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>4,018,688</b> | <b>4,364,360</b> | <b>4,257,567</b> | <b>4,026,636</b> | <b>3,898,740</b> | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  |                  |                  |                  | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 246,202          | 271,555          | 273,203          | 244,971          | 161,470          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>759,523</b>   | <b>584,837</b>   | <b>887,082</b>   | <b>1,037,185</b> | <b>1,136,031</b> | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                  |                  |                  | 33        |
| Federal Income Taxes                          | 377,771          | 362,145          | 289,639          | 261,459          | 541,502          | 34        |
| Provision - Def. Operating Income Taxes - Net | (171,534)        | (191,492)        | (59,958)         | 112,408          | (146,009)        | 35        |
| <b>Net Operating Income</b>                   | <b>\$553,286</b> | <b>\$414,184</b> | <b>\$657,401</b> | <b>\$663,318</b> | <b>\$740,538</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$553,286   | \$414,184   | \$657,401   | \$663,318   | \$740,538   |
| <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       | 152,655     | 171,627     | 178,271     |             |             |
| 44 Other Non-Operating Income                       |             |             |             | 123,426     | 151,989     |
| 45 Special Charges                                  | 4,173       | 3,827       | 34,289      | 4,009       | 6,290       |
| 46 Total Non-Operating Income & Expenses            | 148,482     | 167,800     | 143,982     | 119,417     | 145,699     |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             |             |             |             |             |             |
| 48 Other  |             |             |             |             |             |
| 49 Total Non-Operating Taxes                        |             |             |             |             |             |
| 50 Income Available Before Interest Charges         | 701,768     | 581,984     | 801,383     | 782,735     | 886,237     |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          |             |             |             |             |             |
| 52 Other Interest Expense                           | 640         | 1,800       | 1,800       | 1,800       | 1,800       |
| 53 Total Interest Charges                           | 640         | 1,800       | 1,800       | 1,800       | 1,800       |
| 54 Income Before Extraordinary & Nonreg Items       | 701,128     | 580,184     | 799,583     | 780,935     | 884,437     |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$701,128   | \$580,184   | \$799,583   | \$780,935   | \$884,437   |
| <hr/>   |             |             |             |             |             |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$3,574,984 | \$3,942,427 | \$4,101,115 | \$4,751,944 | \$4,707,507 |
| 60 Transferred from Income                          | 548,473     | 408,557     | 621,312     | 780,935     | 884,437     |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     | 448,000     | 776,000     | 780,000     | 840,000     | 840,000     |
| 64 Adjustments                                      |             |             |             | (591,764)   |             |
| 65 Ending Year Balance                              | 3,675,457   | 3,574,984   | 3,942,427   | 4,101,115   | 4,751,944   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 1,094,317   | 941,662     | 770,035     | 591,764     |             |
| 67 <b>Total Retained Earnings</b>                   | \$4,769,774 | \$4,516,646 | \$4,712,462 | \$4,692,879 | \$4,751,944 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$234,663    | \$178,653    | \$418,418    | \$752,017    | \$468,951    |
| 2 Accounts Receivable (Net)               | 8,333,582    | 8,716,458    | 8,103,507    | 6,892,224    | 8,180,538    |
| 3 Current Deferred Income Taxes           | 50,349       | 122,905      | 193,061      | 225,714      | 262,200      |
| 4 Other Current Assets                    | 895,726      | 812,787      | 828,911      | 796,824      | 796,865      |
| 5 Total Current Assets                    | 9,514,319    | 9,830,803    | 9,543,897    | 8,666,779    | 9,708,554    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 5,472,594    | 3,828,991    | 2,456,958    | 2,689,498    | 3,649,721    |
| 7 Unamortized Debt Issuance Costs         |              |              |              |              |              |
| 8 Deferred Charges                        |              |              | 556,233      | 556,234      | 556,234      |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 1,312,821    | 1,228,921    | 1,010,102    | 932,585      | 741,693      |
| 11 Other Non-Current Assets               |              |              |              |              |              |
| 12 Total Non-Current Assets               | 6,785,416    | 5,057,912    | 4,023,293    | 4,178,317    | 4,947,648    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 68,991,673   | 66,580,160   | 65,208,428   | 64,391,345   | 63,392,303   |
| 14 Less: Accumulated Depr and Amort.      | 47,731,255   | 43,768,730   | 40,041,412   | 36,110,244   | 33,047,625   |
| 15 Net Regulated Plant                    | 21,260,417   | 22,811,430   | 25,167,016   | 28,281,101   | 30,344,678   |
| 16 Total Assets & Other Debits            | \$37,560,153 | \$37,700,144 | \$38,734,206 | \$41,126,197 | \$45,000,880 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$4,244,910  | \$4,542,196  | \$4,859,437  | \$5,761,192  | \$5,426,640  |
| 18 Notes Payable                          |              |              |              |              |              |
| 19 Advanced Billings                      |              |              | 2,500        | 2,500        | 2,500        |
| 20 Customer Deposits                      | 1,295        | 4,013        | 4,688        | 8,419        | 10,538       |
| 21 Current Maturities - Long-Term Debt    |              |              | 508,377      | 465,858      | 424,980      |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 662,885      | 676,698      | 328,980      | 654,102      | 966,295      |
| 24 Total Current Liabilities              | 4,909,089    | 5,222,907    | 5,703,982    | 6,892,071    | 6,830,953    |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         |              |              | 4,048,266    | 4,433,658    | 4,897,195    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        | 13,808       | 21,302       | 28,800       | 36,295       | 52,603       |
| 27 Non-Current Deferred Taxes             | 1,580,070    | 2,000,495    | 2,174,867    | 2,410,043    | 2,685,866    |
| 28 Other Deferred Credits                 | 1,653,738    | 1,959,155    | 2,385,449    | 2,205,897    | 2,057,501    |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 46,080       | 46,296       | 50,140       | 43,655       | 47,377       |
| 31 Total Other Liab. and Def. Credits     | 3,293,696    | 4,027,248    | 4,639,256    | 4,695,890    | 4,843,347    |
| <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                      | 27,098,033   | 26,190,655   | 22,083,369   | 22,845,244   | 26,170,051   |
| 36 Total Stockholder's Equity             | 29,357,367   | 28,449,989   | 24,342,703   | 25,104,578   | 28,429,385   |
| 37 Total Liab. and Stockholder's Equity   | \$37,560,153 | \$37,700,144 | \$38,734,207 | \$41,126,197 | \$45,000,880 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>        | <b>2005</b>        | <b>2004</b>        | <b>2003</b>        | <b>2002</b>        |           |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                    |                    |                    |                    |                    |           |
| Local Network Services                        | \$7,004,827        | \$7,013,828        | \$7,162,020        | \$7,181,223        | \$6,855,738        | 1         |
| Network Access Services                       | 11,124,255         | 12,281,595         | 12,046,572         | 11,964,054         | 11,070,116         | 2         |
| Long Distance Network Services                | 251,624            | 196,568            | 14,182             | 81,678             | 141,646            | 3         |
| Miscellaneous Revenues                        | 1,519,375          | 1,351,012          | 1,375,472          | 1,427,684          | 2,537,387          | 4         |
| Less: Uncollectible Revenues                  | 148,851            | 487,545            | 159,954            | (15,015)           | 419,325            | 5         |
| <b>Total Operating Revenues</b>               | <b>19,751,231</b>  | <b>20,355,459</b>  | <b>20,438,292</b>  | <b>20,669,654</b>  | <b>20,185,562</b>  | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                    |                    |                    |                    |                    |           |
| Network Support Expenses                      | 11,425             | 12,153             | 9,306              | 4,925              | 9,694              | 7         |
| General Support Expenses                      | 1,225,984          | 1,033,756          | 803,151            | 794,479            | 405,689            | 8         |
| Central Office Switching                      | 787,760            | 885,491            | 935,099            | 739,617            | 772,619            | 9         |
| Operator Systems Expense                      |                    |                    |                    | 367                | 167                | 10        |
| Central Office Transmission                   | 96,349             | 90,558             | 140,722            | 136,917            | 136,392            | 11        |
| Info. Origination/Termination                 |                    |                    |                    |                    | 250,323            | 12        |
| Cable & Wire Facilities                       | 1,851,997          | 1,909,349          | 1,698,429          | 1,588,292          | 1,726,145          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>3,973,515</b>   | <b>3,931,307</b>   | <b>3,586,707</b>   | <b>3,264,597</b>   | <b>3,301,029</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | 38                 | 281                | 215                | 956                | 17,768             | 15        |
| Network Operations                            | 1,593,414          | 1,505,305          | 1,435,747          | 1,342,498          | 1,763,968          | 16        |
| Access Expense                                | 406,557            | 454,367            | 416,015            | 318,170            | 173,643            | 17        |
| Depreciation and Amortization                 | 4,169,811          | 4,072,228          | 4,104,610          | 4,050,578          | 3,945,279          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>6,169,820</b>   | <b>6,032,181</b>   | <b>5,956,587</b>   | <b>5,712,202</b>   | <b>5,900,658</b>   | <b>19</b> |
| Marketing Expense                             | 517,290            | 446,191            | 436,432            | 382,232            | 450,837            | 20        |
| Services Expense                              | 2,151,678          | 1,679,441          | 1,246,197          | 1,265,434          | 1,619,244          | 21        |
| <b>Total Customer Operations</b>              | <b>2,668,968</b>   | <b>2,125,632</b>   | <b>1,682,629</b>   | <b>1,647,666</b>   | <b>2,070,081</b>   | <b>22</b> |
| Executive & Planning                          | 887,559            | 773,306            | 989,511            | 996,474            | 1,827,631          | 23        |
| General & Administrative                      | 2,517,028          | 3,211,555          | 2,380,739          | 2,675,971          | 1,710,803          | 24        |
| Provision - Uncollectible Notes Rec.          |                    |                    |                    |                    |                    | 25        |
| Other   |                    |                    |                    |                    |                    | 26        |
| <b>Total Corporate Operations</b>             | <b>3,404,587</b>   | <b>3,984,861</b>   | <b>3,370,250</b>   | <b>3,672,445</b>   | <b>3,538,434</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>16,216,890</b>  | <b>16,073,981</b>  | <b>14,596,173</b>  | <b>14,296,910</b>  | <b>14,810,202</b>  | <b>28</b> |
| Other Operating Income & Expenses             |                    |                    | 15,077             | 14,605             |                    | 29        |
| State & Local Income Taxes                    | 99,351             | 53,434             | 15,275             | 13,468             | 10,948             | 30        |
| Other Taxes                                   | 844,518            | 882,004            | 967,102            | 935,768            | 763,150            | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>2,590,472</b>   | <b>3,346,040</b>   | <b>4,874,819</b>   | <b>5,438,112</b>   | <b>4,601,262</b>   | <b>32</b> |
| Investment Tax Credits - Net                  | 7,494              | 7,498              | 7,495              | 16,308             | 22,596             | 33        |
| Federal Income Taxes                          | 1,535,487          | 1,432,548          | 1,738,442          | 1,920,027          | 1,743,514          | 34        |
| Provision - Def. Operating Income Taxes - Net | (113,893)          | (342,643)          | (213,667)          | (218,971)          | (322,688)          | 35        |
| <b>Net Operating Income</b>                   | <b>\$1,176,372</b> | <b>\$2,263,633</b> | <b>\$3,357,539</b> | <b>\$3,753,364</b> | <b>\$3,203,032</b> | <b>36</b> |

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

|   | <b>2006</b>         | <b>2005</b>         | <b>2004</b>         | <b>2003</b>         | <b>2002</b>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| 37 <b>Net Operating Income</b>                      | \$1,176,372         | \$2,263,633         | \$3,357,539         | \$3,753,364         | \$3,203,032         |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |                     |                     |                     |                     |                     |
| 38 Dividend Income                                  |                     |                     |                     |                     |                     |
| 39 Interest Income                                  |                     |                     | 11,621              | 7                   | 829                 |
| 40 Income - Sinking and Other Funds                 |                     |                     |                     |                     |                     |
| 41 Allowance for Funds Used During Construction     |                     | 4,410               | 58,830              | 82,125              | 99,281              |
| 42 Gains/Losses - Disposal of Property              |                     |                     |                     |                     |                     |
| 43 Equity in Earnings of Affiliated Companies       | 1,522,580           | 638,951             | 459,215             | 657,632             | 852,861             |
| 44 Other Non-Operating Income                       | 10,032,668          | 10,482,745          | 10,237,157          | 8,920,085           | 6,770,932           |
| 45 Special Charges                                  | 13,004              | 7,893               | 10,767              | 13,373              | 7,914               |
| 46 Total Non-Operating Income & Expenses            | 11,542,244          | 11,118,213          | 10,756,056          | 9,646,476           | 7,715,989           |
| <b>NON-OPERATING TAXES</b>                          |                     |                     |                     |                     |                     |
| 47 Federal Income Taxes                             | 2,941,056           | 3,650,750           | 3,467,690           | 3,024,523           | 2,282,005           |
| 48 Other  | 51,884              | 15,149              | 64,749              | 39,021              | 59,153              |
| 49 Total Non-Operating Taxes                        | 2,992,940           | 3,665,899           | 3,532,439           | 3,063,544           | 2,341,158           |
| 50 Income Available Before Interest Charges         | 9,725,676           | 9,715,947           | 10,581,155          | 10,336,297          | 8,577,863           |
| <b>INTEREST CHARGES</b>                             |                     |                     |                     |                     |                     |
| 51 Interest on Funded Debt                          | 440                 | 203,661             | 445,262             | 484,040             | 525,860             |
| 52 Other Interest Expense                           | 102,858             |                     | 455                 | 18,062              | 979                 |
| 53 Total Interest Charges                           | 103,298             | 203,661             | 445,717             | 502,102             | 526,839             |
| 54 Income Before Extraordinary & Nonreg Items       | 9,622,378           | 9,512,286           | 10,135,439          | 9,834,194           | 8,051,025           |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |                     |                     |                     |                     |                     |
| 55 Extraordinary Items                              |                     |                     |                     |                     |                     |
| 56 Nonregulated Revenues                            |                     |                     |                     |                     |                     |
| 57 Total Extraordinary & Nonregulated Items         |                     |                     |                     |                     |                     |
| 58 <b>Net Income</b>                                | <b>\$9,622,378</b>  | <b>\$9,512,286</b>  | <b>\$10,135,439</b> | <b>\$9,834,194</b>  | <b>\$8,051,025</b>  |
| <b>RETAINED EARNINGS STATEMENT</b>                  |                     |                     |                     |                     |                     |
| Unappropriated Retained Earnings:                   |                     |                     |                     |                     |                     |
| 59 Beginning Year Balance                           | \$25,297,657        | \$21,829,321        | \$23,050,413        | \$26,600,850        | \$26,293,687        |
| 60 Transferred from Income                          | 8,099,798           | 8,873,336           | 9,676,224           | 9,176,562           | 7,198,163           |
| 61 Appropriations                                   |                     |                     |                     |                     |                     |
| Dividends Declared:                                 |                     |                     |                     |                     |                     |
| 62 Preferred Stock                                  |                     |                     |                     |                     |                     |
| 63 Common Stock                                     | 8,715,000           | 5,405,000           | 10,897,314          | 13,159,000          | 7,711,000           |
| 64 Adjustments                                      |                     |                     |                     | 432,000             | 820,000             |
| 65 Ending Year Balance                              | 24,682,455          | 25,297,657          | 21,829,323          | 23,050,413          | 26,600,850          |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 2,415,578           | 892,998             | 254,047             | (205,168)           | (430,800)           |
| 67 <b>Total Retained Earnings</b>                   | <b>\$27,098,033</b> | <b>\$26,190,655</b> | <b>\$22,083,370</b> | <b>\$22,845,245</b> | <b>\$26,170,051</b> |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | 2,090,104    | \$241,873    | \$50,308     | \$566,077    | \$740,820    |
| 2 Accounts Receivable (Net)               | 687,638      | 1,286,055    | 1,143,091    | 676,017      | 687,164      |
| 3 Current Deferred Income Taxes           |              |              |              |              |              |
| 4 Other Current Assets                    | 182,227      | 172,617      | 170,566      | 80,629       | 110,741      |
| 5 Total Current Assets                    | 2,959,969    | 1,700,545    | 1,363,965    | 1,322,723    | 1,538,725    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             |              | 170,450      | 178,800      | 178,800      | 178,800      |
| 7 Unamortized Debt Issuance Costs         |              |              | 6,412        | 7,547        | 8,683        |
| 8 Deferred Charges                        |              |              | 10,549       | 28,632       | 46,715       |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      |              |              |              |              |              |
| 11 Other Non-Current Assets               |              |              |              |              |              |
| 12 Total Non-Current Assets               |              | 170,450      | 195,761      | 214,979      | 234,198      |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 18,265,961   | 17,718,799   | 17,183,684   | 16,508,882   | 15,900,208   |
| 14 Less: Accumulated Depr and Amort.      | 8,631,366    | 8,038,403    | 7,659,131    | 7,360,861    | 7,301,074    |
| 15 Net Regulated Plant                    | 9,634,595    | 9,680,396    | 9,524,553    | 9,148,021    | 8,599,134    |
| 16 Total Assets & Other Debits            | \$12,594,564 | \$11,551,391 | \$11,084,279 | \$10,685,723 | \$10,372,057 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | 338,378      | \$578,976    | \$605,168    | \$527,949    | \$568,367    |
| 18 Notes Payable                          |              |              |              |              |              |
| 19 Advanced Billings                      | 63,990       | 45,868       | 48,843       | 52,801       | 50,440       |
| 20 Customer Deposits                      |              |              |              |              |              |
| 21 Current Maturities - Long-Term Debt    | 22,356       |              | 222,843      | 212,500      | 202,707      |
| 22 Current Deferred Income Taxes          | (2,485)      | (2,275)      | (2,415)      | (525)        |              |
| 23 Other Current Liabilities              | 56,522       | 85,937       | 60,915       | 52,532       | 49,853       |
| 24 Total Current Liabilities              | 478,761      | 708,506      | 935,354      | 845,257      | 871,367      |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 13,350       | 15,074       | 3,086,024    | 3,274,746    | 3,486,359    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              |              |
| 27 Non-Current Deferred Taxes             | 1,249,695    | 1,745,720    | 1,717,543    | 1,181,262    | 1,042,171    |
| 28 Other Deferred Credits                 | 1,583,859    | 316,134      | 430,882      | 550,911      | 657,737      |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 601,758      | 527,548      | 514,438      | 571,394      | 300,589      |
| 31 Total Other Liab. and Def. Credits     | 3,435,312    | 2,589,402    | 2,662,863    | 2,303,567    | 2,000,498    |
| <b>STOCKHOLDER'S EQUITY</b>               |              |              |              |              |              |
| 32 Common Stock                           | 10,000       | 10,000       | 10,000       | 10,000       | 10,000       |
| 33 Preferred Stock                        |              |              |              |              |              |
| 34 Other Paid in Capital                  | 3,569,353    | 3,668,739    | 68,739       | 68,739       | 68,739       |
| 35 Retained Earnings                      | 5,087,788    | 4,559,670    | 4,321,299    | 4,183,414    | 3,935,095    |
| 36 Total Stockholder's Equity             | 8,667,141    | 8,238,409    | 4,400,038    | 4,262,153    | 4,013,833    |
| 37 Total Liab. and Stockholder's Equity   | \$12,594,564 | \$11,551,391 | \$11,084,279 | \$10,685,723 | \$10,372,056 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>       | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|-------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                   |                  |                  |                  |                  |           |
| Local Network Services                        | \$1,216,085       | \$1,201,128      | \$1,192,194      | \$1,156,224      | \$1,047,670      | 1         |
| Network Access Services                       | 2,067,844         | 2,274,268        | 1,980,125        | 2,201,236        | 1,946,151        | 2         |
| Long Distance Network Services                |                   |                  |                  |                  |                  | 3         |
| Miscellaneous Revenues                        | 557,841           | 749,887          | 616,605          | 609,774          | 466,877          | 4         |
| Less: Uncollectible Revenues                  | 1,291             | 7,239            | 50,186           | (6,070)          | 25,472           | 5         |
| <b>Total Operating Revenues</b>               | <b>3,840,479</b>  | <b>4,218,044</b> | <b>3,738,738</b> | <b>3,973,304</b> | <b>3,435,226</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                   |                  |                  |                  |                  |           |
| Network Support Expenses                      | 20,108            | 21,619           | 21,198           | 26,714           | 25,909           | 7         |
| General Support Expenses                      | 53,023            | 52,835           | 74,742           | 85,313           | 54,217           | 8         |
| Central Office Switching                      | 143,664           | 118,835          | 112,846          | 117,756          | 97,375           | 9         |
| Operator Systems Expense                      |                   |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 204,796           | 136,428          | 25,153           | 38,140           | 28,970           | 11        |
| Info. Origination/Termination                 | 205,871           | 326,507          | 276,435          | 190,538          | 183,072          | 12        |
| Cable & Wire Facilities                       | 205,949           | 189,301          | 184,249          | 197,239          | 120,202          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>833,411</b>    | <b>845,525</b>   | <b>694,623</b>   | <b>655,700</b>   | <b>509,745</b>   | <b>14</b> |
| Other Plant, Property & Equipment             |                   |                  |                  |                  |                  | 15        |
| Network Operations                            | 371,359           | 366,350          | 293,205          | 301,792          | 282,088          | 16        |
| Access Expense                                | 83,262            | 125,623          | 59,815           | 48,976           | 23,256           | 17        |
| Depreciation and Amortization                 | 1,007,695         | 767,537          | 690,541          | 607,086          | 564,005          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,462,316</b>  | <b>1,259,510</b> | <b>1,043,561</b> | <b>957,854</b>   | <b>869,349</b>   | <b>19</b> |
| Marketing Expense                             | 234,711           | 260,950          | 279,842          | 249,465          | 218,204          | 20        |
| Services Expense                              | 361,361           | 380,659          | 446,810          | 439,232          | 427,546          | 21        |
| <b>Total Customer Operations</b>              | <b>596,072</b>    | <b>641,609</b>   | <b>726,652</b>   | <b>688,697</b>   | <b>645,750</b>   | <b>22</b> |
| Executive & Planning                          | 133,277           | 138,209          | 70,981           | 81,783           | 106,052          | 23        |
| General & Administrative                      | 694,367           | 668,809          | 629,761          | 847,141          | 678,508          | 24        |
| Provision - Uncollectible Notes Rec.          |                   |                  |                  |                  |                  | 25        |
| Other   |                   |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>827,644</b>    | <b>807,018</b>   | <b>700,742</b>   | <b>928,924</b>   | <b>784,560</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>3,719,443</b>  | <b>3,553,662</b> | <b>3,165,578</b> | <b>3,231,175</b> | <b>2,809,404</b> | <b>28</b> |
| Other Operating Income & Expenses             |                   |                  | 203              |                  |                  | 29        |
| State & Local Income Taxes                    |                   |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 217,399           | 237,022          | 199,717          | 199,756          | 196,417          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(96,363)</b>   | <b>427,360</b>   | <b>373,646</b>   | <b>542,373</b>   | <b>429,405</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                   |                  |                  |                  |                  | 33        |
| Federal Income Taxes                          | (90,573)          | 68,208           | (467,337)        | (47,529)         | 12,489           | 34        |
| Provision - Def. Operating Income Taxes - Net | 52,475            | 28,317           | 534,390          | 138,567          | 64,046           | 35        |
| <b>Net Operating Income</b>                   | <b>(\$58,265)</b> | <b>\$330,835</b> | <b>\$306,593</b> | <b>\$451,335</b> | <b>\$352,870</b> | <b>36</b> |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | (\$58,265)  | \$330,835   | \$306,593   | \$451,335   | \$352,870   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |             |             |             |             |             |
| 38 Dividend Income                                  |             | 65,838      | 30,930      | 16,506      | 12,726      |
| 39 Interest Income                                  | 102,748     | 6,514       | 4,752       | 7,937       | 21,787      |
| 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                       | 822,789     | (32,145)    | (360)       | (360)       | (360)       |
| 45 Special Charges                                  | 3,456       | 3,244       | 2,738       | 2,929       | 3,427       |
| 46 Total Non-Operating Income & Expenses            | 922,081     | 36,963      | 32,584      | 21,154      | 30,726      |
| <b>NON-OPERATING TAXES</b>                          |             |             |             |             |             |
| 47 Federal Income Taxes                             | 322,131     | 18,232      | 7,740       | 7,896       | 4,931       |
| 48 Other  | 802         |             |             |             |             |
| 49 Total Non-Operating Taxes                        | 322,933     | 18,232      | 7,740       | 7,896       | 4,931       |
| 50 Income Available Before Interest Charges         | 540,883     | 349,566     | 331,437     | 464,593     | 378,664     |
| <b>INTEREST CHARGES</b>                             |             |             |             |             |             |
| 51 Interest on Funded Debt                          |             | 80,941      | 171,253     | 181,166     | 190,193     |
| 52 Other Interest Expense                           | 12,765      | 29,254      | 22,299      | 35,107      | 48,516      |
| 53 Total Interest Charges                           | 12,765      | 110,195     | 193,552     | 216,273     | 238,709     |
| 54 Income Before Extraordinary & Nonreg Items       | 528,118     | 239,371     | 137,885     | 248,320     | 139,956     |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |             |             |             |             |             |
| 55 Extraordinary Items                              |             |             |             |             |             |
| 56 Nonregulated Revenues                            |             |             |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |             |             |             |             |             |
| 58 <b>Net Income</b>                                | \$528,118   | \$239,371   | \$137,885   | \$248,320   | \$139,956   |
| <b>RETAINED EARNINGS STATEMENT</b>                  |             |             |             |             |             |
| Unappropriated Retained Earnings:                   |             |             |             |             |             |
| 59 Beginning Year Balance                           | \$4,559,670 | \$4,321,299 | \$4,183,415 | \$3,935,095 | \$3,795,139 |
| 60 Transferred from Income                          | 528,118     | 239,371     | 137,885     | 248,320     | 139,956     |
| 61 Appropriations                                   |             |             |             |             |             |
| Dividends Declared:                                 |             |             |             |             |             |
| 62 Preferred Stock                                  |             |             |             |             |             |
| 63 Common Stock                                     |             | 1,000       |             |             |             |
| 64 Adjustments                                      |             |             |             |             |             |
| 65 Ending Year Balance                              | 5,087,788   | 4,559,670   | 4,321,300   | 4,183,415   | 3,935,095   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |             |             |             |             |             |
| 67 <b>Total Retained Earnings</b>                   | \$5,087,788 | \$4,559,670 | \$4,321,300 | \$4,183,415 | \$3,935,095 |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$3,367,356  | \$3,587,582  | \$3,107,618  | \$2,326,917  | \$1,527,623  |
| 2 Accounts Receivable (Net)               | 754,935      | 906,019      | 918,262      | 1,052,994    | 1,172,389    |
| 3 Current Deferred Income Taxes           |              |              | 152          | 152          | 152          |
| 4 Other Current Assets                    | 797,846      | 384,539      | 336,516      | 458,713      | 590,103      |
| 5 Total Current Assets                    | 4,920,137    | 4,878,140    | 4,362,548    | 3,838,776    | 3,290,267    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 1,377,620    | 714,979      | 724,302      | 980,355      | 985,157      |
| 7 Unamortized Debt Issuance Costs         | 14,400       | 16,800       | 19,200       | 21,600       | 24,583       |
| 8 Deferred Charges                        | 5,832        | 5,832        | 5,832        | 21,478       | 39,857       |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 454,160      | 508,267      | 447,043      | 368,349      | 112,669      |
| 11 Other Non-Current Assets               | 3,414,800    | 3,197,177    | 3,101,454    | 2,938,357    | 2,607,870    |
| 12 Total Non-Current Assets               | 5,266,812    | 4,443,055    | 4,297,831    | 4,330,139    | 3,770,136    |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 24,189,892   | 22,699,916   | 21,702,945   | 21,002,685   | 18,794,909   |
| 14 Less: Accumulated Depr and Amort.      | 12,326,395   | 11,402,782   | 10,502,531   | 9,717,699    | 8,869,357    |
| 15 Net Regulated Plant                    | 11,863,497   | 11,297,134   | 11,200,414   | 11,284,986   | 9,925,551    |
| 16 Total Assets & Other Debits            | \$22,050,446 | \$20,618,329 | \$19,860,793 | \$19,453,901 | \$16,985,954 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$751,529    | \$648,590    | \$660,444    | \$989,524    | \$865,495    |
| 18 Notes Payable                          | 431,615      | 400,857      | 383,728      | 381,911      | 325,596      |
| 19 Advanced Billings                      | 186,482      | 122,621      | 50,185       | 47,432       | 42,931       |
| 20 Customer Deposits                      |              |              |              |              |              |
| 21 Current Maturities - Long-Term Debt    | 357,143      | 357,143      |              | 128,542      | 514,286      |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 740,030      | 890,600      | 530,852      | 574,753      | 180,972      |
| 24 Total Current Liabilities              | 2,466,799    | 2,419,811    | 1,625,209    | 2,122,162    | 1,929,280    |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 3,285,714    | 2,142,857    | 2,500,000    | 2,500,000    | 1,628,572    |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              |              |              | 13,035       |
| 27 Non-Current Deferred Taxes             | 2,278,443    | 2,281,063    | 2,431,283    | 2,068,256    | 1,555,679    |
| 28 Other Deferred Credits                 | 318,710      | 321,509      | 445,920      | 482,015      | 361,336      |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 823,753      | 950,356      | 598,741      | 494,876      | 336,039      |
| 31 Total Other Liab. and Def. Credits     | 3,420,906    | 3,552,928    | 3,475,944    | 3,045,147    | 2,266,089    |
| <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                  | (1,946,961)  | (2,129,768)  | (2,161,448)  | (2,424,978)  | (4,288,025)  |
| 35 Retained Earnings                      | 14,583,989   | 14,392,500   | 14,181,088   | 13,971,570   | 15,210,038   |
| 36 Total Stockholder's Equity             | 12,877,028   | 12,502,733   | 12,259,640   | 11,786,592   | 11,162,013   |
| 37 Total Liab. and Stockholder's Equity   | \$22,050,446 | \$20,618,329 | \$19,860,793 | \$19,453,901 | \$16,985,954 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$1,742,657      | \$1,774,199      | \$1,833,520      | \$1,853,969      | \$1,615,638      | 1         |
| Network Access Services                       | 2,887,656        | 3,179,549        | 3,291,797        | 3,116,693        | 2,950,033        | 2         |
| Long Distance Network Services                |                  |                  |                  |                  |                  | 3         |
| Miscellaneous Revenues                        | 764,585          | 684,888          | 467,228          | 546,838          | 615,148          | 4         |
| Less: Uncollectible Revenues                  | 66,874           | 24,293           | 15,394           | 16,982           | 17,661           | 5         |
| <b>Total Operating Revenues</b>               | <b>5,328,024</b> | <b>5,614,342</b> | <b>5,577,151</b> | <b>5,500,518</b> | <b>5,163,158</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 14,847           | 5,597            | 3,282            | 7,217            | 17,063           | 7         |
| General Support Expenses                      | 324,038          | 284,802          | 299,577          | 224,189          | 172,515          | 8         |
| Central Office Switching                      | 333,046          | 246,712          | 314,996          | 270,432          | 193,202          | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   |                  | 105,291          | 179,272          | 267,359          | 174,858          | 11        |
| Info. Origination/Termination                 | 66,454           | 89,077           | 80,840           | 67,196           | 31,236           | 12        |
| Cable & Wire Facilities                       | 481,196          | 528,989          | 489,463          | 672,230          | 710,912          | 13        |
| <b>Total Plant Specific Operations</b>        | <b>1,219,581</b> | <b>1,260,467</b> | <b>1,367,431</b> | <b>1,508,623</b> | <b>1,299,786</b> | <b>14</b> |
| Other Plant, Property & Equipment             | (813)            |                  |                  |                  |                  | 15        |
| Network Operations                            | 122,881          | 164,437          | 234,889          | 276,653          | 283,609          | 16        |
| Access Expense                                | 94,647           | 111,969          | 81,291           | 66,026           | 49,738           | 17        |
| Depreciation and Amortization                 | 1,102,855        | 1,165,724        | 1,122,664        | 1,049,508        | 1,198,817        | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>1,319,570</b> | <b>1,442,130</b> | <b>1,438,844</b> | <b>1,392,187</b> | <b>1,532,164</b> | <b>19</b> |
| Marketing Expense                             | 183,237          | 162,771          | 167,398          | 86,102           | 190,945          | 20        |
| Services Expense                              | 861,522          | 837,754          | 614,203          | 625,852          | 662,341          | 21        |
| <b>Total Customer Operations</b>              | <b>1,044,759</b> | <b>1,000,525</b> | <b>781,601</b>   | <b>711,954</b>   | <b>853,286</b>   | <b>22</b> |
| Executive & Planning                          | 356,300          | 729,451          | 470,299          | 433,493          | 418,367          | 23        |
| General & Administrative                      | 673,501          | 722,265          | 686,681          | 713,029          | 695,591          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>1,029,801</b> | <b>1,451,716</b> | <b>1,156,980</b> | <b>1,146,522</b> | <b>1,113,958</b> | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>4,613,711</b> | <b>5,154,839</b> | <b>4,744,857</b> | <b>4,759,286</b> | <b>4,799,194</b> | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  | (1,725)          | (1,170)          | 202              | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 401,583          | 392,151          | 378,045          | 337,677          | 285,353          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>312,730</b>   | <b>67,353</b>    | <b>452,524</b>   | <b>402,385</b>   | <b>78,813</b>    | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                  | 4,413            | 15,268           | 33        |
| Federal Income Taxes                          | 12,955           | 138,934          | (94,840)         | (112,046)        | (131,017)        | 34        |
| Provision - Def. Operating Income Taxes - Net | (39,609)         | (205,450)        | 184,647          | 202,378          | 91,433           | 35        |
| <b>Net Operating Income</b>                   | <b>\$339,384</b> | <b>\$133,869</b> | <b>\$362,717</b> | <b>\$316,466</b> | <b>\$133,665</b> | <b>36</b> |

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

|   | 2006         | 2005         | 2004         | 2003          | 2002         |
|---|--------------|--------------|--------------|---------------|--------------|
| 37 <b>Net Operating Income</b>                      | \$339,384    | \$133,869    | \$362,717    | \$316,466     | \$133,665    |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |              |              |              |               |              |
| 38 Dividend Income                                  | 5,052        | 5,020        | 3,802        | 2,500         |              |
| 39 Interest Income                                  | 120,003      | 34,202       | 78,373       | 15,328        | 77,577       |
| 40 Income - Sinking and Other Funds                 |              | 63,492       |              |               |              |
| 41 Allowance for Funds Used During Construction     | 21,442       | 20,517       | 47,654       | 44,883        | 35,139       |
| 42 Gains/Losses - Disposal of Property              |              |              |              |               |              |
| 43 Equity in Earnings of Affiliated Companies       | (240,281)    | 13,288       | (174,210)    | (1,419,378)   | 1,294,893    |
| 44 Other Non-Operating Income                       | 454,388      | 292,980      | 172,381      | 3,123         | (230,933)    |
| 45 Special Charges                                  | 49,151       | 19,463       | 9,098        | 22,755        | 7,657        |
| 46 Total Non-Operating Income & Expenses            | 311,453      | 410,035      | 118,902      | (1,376,299)   | 1,169,019    |
| <b>NON-OPERATING TAXES</b>                          |              |              |              |               |              |
| 47 Federal Income Taxes                             | 168,873      | 121,506      | 74,779       | (2,475)       | (117,299)    |
| 48 Other  |              |              |              |               | 1,500        |
| 49 Total Non-Operating Taxes                        | 168,873      | 121,506      | 74,779       | (2,475)       | (115,799)    |
| 50 Income Available Before Interest Charges         | 481,964      | 422,398      | 406,840      | (1,057,358)   | 1,418,483    |
| <b>INTEREST CHARGES</b>                             |              |              |              |               |              |
| 51 Interest on Funded Debt                          | 185,481      | 119,783      | 111,831      | 102,277       | 105,127      |
| 52 Other Interest Expense                           | 35,532       | 21,916       | 16,463       | 9,992         | 56,159       |
| 53 Total Interest Charges                           | 221,013      | 141,699      | 128,294      | 112,269       | 161,286      |
| 54 Income Before Extraordinary & Nonreg Items       | 260,951      | 280,699      | 278,546      | (1,169,627)   | 1,257,197    |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |              |              |              |               |              |
| 55 Extraordinary Items                              |              |              |              |               |              |
| 56 Nonregulated Revenues                            |              |              |              |               |              |
| 57 Total Extraordinary & Nonregulated Items         |              |              |              |               |              |
| 58 <b>Net Income</b>                                | \$260,951    | \$280,699    | \$278,546    | (\$1,169,627) | \$1,257,197  |
| <b>RETAINED EARNINGS STATEMENT</b>                  |              |              |              |               |              |
| Unappropriated Retained Earnings:                   |              |              |              |               |              |
| 59 Beginning Year Balance                           | \$14,809,516 | \$14,611,390 | \$14,227,661 | \$14,046,751  | \$14,152,961 |
| 60 Transferred from Income                          | 260,951      | 267,411      | 452,757      | 249,751       | (37,696)     |
| 61 Appropriations                                   |              |              |              |               |              |
| Dividends Declared:                                 |              |              |              |               |              |
| 62 Preferred Stock                                  |              |              |              |               |              |
| 63 Common Stock                                     | 69,464       | 69,286       | 69,029       | 68,841        | 68,514       |
| 64 Adjustments                                      |              |              |              |               |              |
| 65 Ending Year Balance                              | 15,001,003   | 14,809,515   | 14,611,389   | 14,227,661    | 14,046,751   |
| 66 Appropriated/Undistr Affiliate Retained Earnings | (417,014)    | (417,015)    | (430,302)    | (256,092)     | 1,163,286    |
| 67 <b>Total Retained Earnings</b>                   | \$14,583,989 | \$14,392,500 | \$14,181,087 | \$13,971,569  | \$15,210,037 |

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

|   | 2006        | 2005        | 2004        | 2003        | 2002        |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>CURRENT ASSETS</b>                     |             |             |             |             |             |
| 1 Cash and Temporary Cash Investments     | \$377,003   | \$89,148    | \$212,698   | \$760,703   | \$491,019   |
| 2 Accounts Receivable (Net)               | 398,199     | 375,296     | 450,935     | 388,740     | 414,348     |
| 3 Current Deferred Income Taxes           |             |             |             |             |             |
| 4 Other Current Assets                    | 106,364     | 108,144     | 111,582     | 184,617     | 112,620     |
| 5 Total Current Assets                    | 881,566     | 572,588     | 775,215     | 1,334,060   | 1,017,986   |
| <b>NON-CURRENT ASSETS</b>                 |             |             |             |             |             |
| 6 Investments                             |             | 19,152      | 19,152      | 19,152      | 19,152      |
| 7 Unamortized Debt Issuance Costs         |             |             |             |             |             |
| 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      |
| <b>REGULATED PLANT</b>                    |             |             |             |             |             |
| 13 Total Telecommunications Plant         | 9,947,055   | 9,759,363   | 9,638,408   | 9,453,378   | 9,633,059   |
| 14 Less: Accumulated Depr and Amort.      | 4,337,306   | 3,899,045   | 3,624,601   | 3,491,201   | 3,519,207   |
| 15 Net Regulated Plant                    | 5,609,749   | 5,860,318   | 6,013,807   | 5,962,177   | 6,113,853   |
| 16 Total Assets & Other Debits            | \$6,491,315 | \$6,452,058 | \$6,808,174 | \$7,315,389 | \$7,150,991 |
| <b>CURRENT LIABILITIES</b>                |             |             |             |             |             |
| 17 Accounts Payable                       | \$236,732   | \$315,397   | \$263,237   | \$207,047   | \$210,141   |
| 18 Notes Payable                          |             |             | 2,123,062   | 2,873,062   | 2,873,062   |
| 19 Advanced Billings                      | 17,951      | 16,095      | 14,433      | 15,134      | 14,974      |
| 20 Customer Deposits                      |             |             |             | 7,409       |             |
| 21 Current Maturities - Long-Term Debt    | 8,495       |             |             |             |             |
| 22 Current Deferred Income Taxes          | (2,940)     | (2,030)     | (2,415)     | (1,470)     |             |
| 23 Other Current Liabilities              | 67,196      | 49,875      | 61,054      | 77,101      | 97,465      |
| 24 Total Current Liabilities              | 327,434     | 379,337     | 2,459,371   | 3,178,283   | 3,195,642   |
| <b>LONG-TERM DEBT</b>                     |             |             |             |             |             |
| 25 Long-Term Debt                         |             | 8,495       | 18,689      |             |             |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |             |             |             |             |             |
| 26 Unamortized ITC                        |             |             |             |             |             |
| 27 Non-Current Deferred Taxes             | 861,104     | 918,706     | 904,343     | 766,092     | 699,103     |
| 28 Other Deferred Credits                 | 81,094      | 2,546       | 3,260       |             |             |
| 29 Other Jurisdictional Differences - Net |             |             |             |             |             |
| 30 Other Liabilities                      | 159,040     | 22,568      | 29,433      | 42,346      | 23,948      |
| 31 Total Other Liab. and Def. Credits     | 1,101,238   | 943,820     | 937,036     | 808,438     | 723,051     |
| <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                  | 2,683,357   | 2,775,139   | 1,039,139   | 1,039,139   | 1,039,139   |
| 35 Retained Earnings                      | (20,714)    | (54,733)    | (46,061)    | (110,471)   | (206,841)   |
| 36 Total Stockholder's Equity             | 5,062,643   | 5,120,406   | 3,393,078   | 3,328,668   | 3,232,298   |
| 37 Total Liab. and Stockholder's Equity   | \$6,491,315 | \$6,452,058 | \$6,808,174 | \$7,315,389 | \$7,150,991 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>      | <b>2005</b>      | <b>2004</b>      | <b>2003</b>      | <b>2002</b>      |           |
|---|------------------|------------------|------------------|------------------|------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                  |                  |                  |                  |                  |           |
| Local Network Services                        | \$911,751        | \$964,627        | \$1,040,182      | \$980,471        | \$953,609        | 1         |
| Network Access Services                       | 1,035,411        | 1,012,761        | 984,909          | 1,064,799        | 939,264          | 2         |
| Long Distance Network Services                |                  |                  |                  |                  |                  | 3         |
| Miscellaneous Revenues                        | 314,582          | 319,620          | 372,871          | 344,139          | 404,442          | 4         |
| Less: Uncollectible Revenues                  | 4,181            | 11,849           | 42,353           | 16,722           | 22,324           | 5         |
| <b>Total Operating Revenues</b>               | <b>2,257,563</b> | <b>2,285,159</b> | <b>2,355,609</b> | <b>2,372,687</b> | <b>2,274,991</b> | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                  |                  |                  |                  |                  |           |
| Network Support Expenses                      | 16,967           | 16,831           | 16,679           | 18,082           | 13,719           | 7         |
| General Support Expenses                      | 61,479           | 39,811           | 36,013           | 50,884           | 48,238           | 8         |
| Central Office Switching                      | 91,248           | 60,197           | 69,720           | 71,190           | 68,262           | 9         |
| Operator Systems Expense                      |                  |                  |                  |                  |                  | 10        |
| Central Office Transmission                   | 117,359          | 72,070           | 20,826           | 23,236           | 19,394           | 11        |
| Info. Origination/Termination                 | 150,493          | 180,325          | 256,732          | 143,297          | 155,196          | 12        |
| Cable & Wire Facilities                       | 124,693          | 89,019           | 89,095           | 78,372           | 80,149           | 13        |
| <b>Total Plant Specific Operations</b>        | <b>562,239</b>   | <b>458,253</b>   | <b>489,065</b>   | <b>385,061</b>   | <b>384,958</b>   | <b>14</b> |
| Other Plant, Property & Equipment             |                  |                  |                  |                  |                  | 15        |
| Network Operations                            | 260,634          | 284,981          | 270,928          | 291,130          | 282,481          | 16        |
| Access Expense                                | 50,626           | 56,176           | 37,266           | 14,926           | 6,344            | 17        |
| Depreciation and Amortization                 | 529,655          | 525,353          | 500,159          | 506,455          | 492,193          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>840,915</b>   | <b>866,510</b>   | <b>808,353</b>   | <b>812,511</b>   | <b>781,018</b>   | <b>19</b> |
| Marketing Expense                             | 111,366          | 128,261          | 137,341          | 128,261          | 118,975          | 20        |
| Services Expense                              | 247,502          | 318,296          | 279,444          | 281,405          | 332,688          | 21        |
| <b>Total Customer Operations</b>              | <b>358,868</b>   | <b>446,557</b>   | <b>416,785</b>   | <b>409,666</b>   | <b>451,664</b>   | <b>22</b> |
| Executive & Planning                          | 57,221           | 33,960           | 36,430           | 29,393           | 28,530           | 23        |
| General & Administrative                      | 339,051          | 321,628          | 284,842          | 336,985          | 221,564          | 24        |
| Provision - Uncollectible Notes Rec.          |                  |                  |                  |                  |                  | 25        |
| Other   |                  |                  |                  |                  |                  | 26        |
| <b>Total Corporate Operations</b>             | <b>396,272</b>   | <b>355,588</b>   | <b>321,272</b>   | <b>366,378</b>   | <b>250,095</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>2,158,294</b> | <b>2,126,908</b> | <b>2,035,475</b> | <b>1,973,616</b> | <b>1,867,734</b> | <b>28</b> |
| Other Operating Income & Expenses             |                  |                  |                  |                  |                  | 29        |
| State & Local Income Taxes                    |                  |                  |                  |                  |                  | 30        |
| Other Taxes                                   | 132,097          | 138,543          | 121,867          | 127,964          | 121,466          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(32,828)</b>  | <b>19,708</b>    | <b>198,267</b>   | <b>271,107</b>   | <b>285,791</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                  |                  |                  |                  |                  | 33        |
| Federal Income Taxes                          | (12,532)         | (39,001)         | (106,205)        | (16,554)         | 37,622           | 34        |
| Provision - Def. Operating Income Taxes - Net | (24,099)         | 14,747           | 137,305          | 65,519           | 13,677           | 35        |
| <b>Net Operating Income</b>                   | <b>\$3,803</b>   | <b>\$43,962</b>  | <b>\$167,167</b> | <b>\$222,142</b> | <b>\$234,492</b> | <b>36</b> |

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

|   | 2006       | 2005       | 2004        | 2003        | 2002        |
|---|------------|------------|-------------|-------------|-------------|
| 37 <b>Net Operating Income</b>                      | \$3,803    | \$43,962   | \$167,167   | \$222,142   | \$234,492   |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |            |            |             |             |             |
| 38 Dividend Income                                  |            | 7,749      | 8,100       | 5,670       | 5,670       |
| 39 Interest Income                                  | 13,712     | 12,668     | 3,682       | 8,761       | 3,144       |
| 40 Income - Sinking and Other Funds                 |            |            |             |             |             |
| 41 Allowance for Funds Used During Construction     |            |            | 4,513       |             |             |
| 42 Gains/Losses - Disposal of Property              |            |            |             |             |             |
| 43 Equity in Earnings of Affiliated Companies       |            |            |             |             |             |
| 44 Other Non-Operating Income                       | 34,754     |            |             | (172)       |             |
| 45 Special Charges                                  | 1,345      | 1,354      | 2,151       | 1,629       | 3,247       |
| 46 Total Non-Operating Income & Expenses            | 47,121     | 19,063     | 14,144      | 12,630      | 5,567       |
| <b>NON-OPERATING TAXES</b>                          |            |            |             |             |             |
| 47 Federal Income Taxes                             | 16,460     | 5,385      | 4,755       | 3,787       | 1,891       |
| 48 Other  | 34         |            |             |             |             |
| 49 Total Non-Operating Taxes                        | 16,494     | 5,385      | 4,755       | 3,787       | 1,891       |
| 50 Income Available Before Interest Charges         | 34,430     | 57,640     | 176,556     | 230,985     | 238,168     |
| <b>INTEREST CHARGES</b>                             |            |            |             |             |             |
| 51 Interest on Funded Debt                          |            |            |             |             |             |
| 52 Other Interest Expense                           | 411        | 66,312     | 112,146     | 134,615     | 155,040     |
| 53 Total Interest Charges                           | 411        | 66,312     | 112,146     | 134,615     | 155,040     |
| 54 Income Before Extraordinary & Nonreg Items       | 34,019     | (8,672)    | 64,410      | 96,370      | 83,128      |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |            |            |             |             |             |
| 55 Extraordinary Items                              |            |            |             |             |             |
| 56 Nonregulated Revenues                            |            |            |             |             |             |
| 57 Total Extraordinary & Nonregulated Items         |            |            |             |             |             |
| 58 <b>Net Income</b>                                | \$34,019   | (\$8,672)  | \$64,410    | \$96,370    | \$83,128    |
| <b>RETAINED EARNINGS STATEMENT</b>                  |            |            |             |             |             |
| Unappropriated Retained Earnings:                   |            |            |             |             |             |
| 59 Beginning Year Balance                           | (\$54,733) | (\$46,061) | (\$110,471) | (\$206,841) | (\$289,969) |
| 60 Transferred from Income                          | 34,019     | (8,672)    | 64,410      | 96,370      | 83,128      |
| 61 Appropriations                                   |            |            |             |             |             |
| Dividends Declared:                                 |            |            |             |             |             |
| 62 Preferred Stock                                  |            |            |             |             |             |
| 63 Common Stock                                     |            |            |             |             |             |
| 64 Adjustments                                      |            |            |             |             |             |
| 65 Ending Year Balance                              | (20,714)   | (54,733)   | (46,061)    | (110,471)   | (206,841)   |
| 66 Appropriated/Undistr Affiliate Retained Earnings |            |            |             |             |             |
| 67 <b>Total Retained Earnings</b>                   | (\$20,714) | (\$54,733) | (\$46,061)  | (\$110,471) | (\$206,841) |

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

|   | 2006         | 2005         | 2004         | 2003         | 2002         |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>CURRENT ASSETS</b>                     |              |              |              |              |              |
| 1 Cash and Temporary Cash Investments     | \$11,021,099 | \$11,275,443 | \$13,206,610 | \$2,856,999  | \$510,089    |
| 2 Accounts Receivable (Net)               | 8,008,818    | 11,246,301   | 10,778,720   | 10,341,308   | 7,263,531    |
| 3 Current Deferred Income Taxes           |              |              |              |              |              |
| 4 Other Current Assets                    | 1,423,580    | 1,931,172    | 1,612,035    | 1,472,334    | 1,554,212    |
| 5 Total Current Assets                    | 20,453,496   | 24,452,916   | 25,597,365   | 14,670,641   | 9,327,832    |
| <b>NON-CURRENT ASSETS</b>                 |              |              |              |              |              |
| 6 Investments                             | 8,093,655    | 7,832,137    | 7,617,621    | 9,366,575    | 11,701,452   |
| 7 Unamortized Debt Issuance Costs         | 77,175       | 89,775       | 102,595      | 115,195      | 5,063        |
| 8 Deferred Charges                        | 814,333      | 847,793      | 888,797      | 509,940      | 27,007       |
| 9 Other Jurisdictional Assets - Net       |              |              |              |              |              |
| 10 Non-Current Deferred Income Taxes      | 3,289,505    | 2,191,389    | 2,224,674    | 1,865,746    | 775,585      |
| 11 Other Non-Current Assets               | 177,924      | 747,954      | 744,102      | 744,102      | 831,419      |
| 12 Total Non-Current Assets               | 12,452,592   | 11,709,048   | 10,833,687   | 12,601,558   | 13,340,527   |
| <b>REGULATED PLANT</b>                    |              |              |              |              |              |
| 13 Total Telecommunications Plant         | 64,966,062   | 65,149,611   | 63,803,154   | 59,799,701   | 57,266,736   |
| 14 Less: Accumulated Depr and Amort.      | 31,685,617   | 32,196,983   | 29,039,845   | 25,279,795   | 23,213,563   |
| 15 Net Regulated Plant                    | 33,280,445   | 32,952,628   | 34,763,309   | 34,519,907   | 34,053,173   |
| 16 Total Assets & Other Debits            | \$66,186,532 | \$69,114,592 | \$71,194,361 | \$61,792,106 | \$56,721,533 |
| <b>CURRENT LIABILITIES</b>                |              |              |              |              |              |
| 17 Accounts Payable                       | \$5,104,408  | \$3,008,986  | \$2,954,436  | \$3,333,586  | \$3,711,753  |
| 18 Notes Payable                          |              |              |              |              | 5,000,000    |
| 19 Advanced Billings                      | 190,830      | 201,893      | 212,291      | 216,778      | 216,510      |
| 20 Customer Deposits                      | 127,658      | 141,536      | 156,311      | 135,089      | 125,194      |
| 21 Current Maturities - Long-Term Debt    | 1,518,633    | 1,518,633    | 1,518,632    |              | 4,000,000    |
| 22 Current Deferred Income Taxes          |              |              |              |              |              |
| 23 Other Current Liabilities              | 4,781,529    | 1,893,059    | 5,511,415    | 3,001,730    | 2,311,442    |
| 24 Total Current Liabilities              | 11,723,058   | 6,764,107    | 10,353,084   | 6,687,183    | 15,364,899   |
| <b>LONG-TERM DEBT</b>                     |              |              |              |              |              |
| 25 Long-Term Debt                         | 7,213,503    | 8,732,149    | 10,250,782   | 7,149,073    |              |
| <b>OTHER LIAB. &amp; DEFERRED CREDITS</b> |              |              |              |              |              |
| 26 Unamortized ITC                        |              |              | (107)        | 10,693       | 21,493       |
| 27 Non-Current Deferred Taxes             | 6,893,749    | 8,113,907    | 4,624,966    | 5,073,000    | 4,235,728    |
| 28 Other Deferred Credits                 | 19           | 19           | 912,031      | 21,637       | 19,493       |
| 29 Other Jurisdictional Differences - Net |              |              |              |              |              |
| 30 Other Liabilities                      | 7,583,541    | 5,272,971    | 4,400,313    | 4,511,253    | 1,713,409    |
| 31 Total Other Liab. and Def. Credits     | 14,477,309   | 13,386,897   | 9,937,203    | 9,616,583    | 5,990,123    |
| <b>STOCKHOLDER'S EQUITY</b>               |              |              |              |              |              |
| 32 Common Stock                           | 59,846       | 59,846       | 59,846       | 59,846       | 3,481,441    |
| 33 Preferred Stock                        | 500,000      | 500,000      | 500,000      | 500,000      | 500,000      |
| 34 Other Paid in Capital                  | (1,260,878)  | (1,260,878)  | (111,378)    | (125,029)    | (3,598,160)  |
| 35 Retained Earnings                      | 33,473,694   | 40,932,473   | 40,204,824   | 37,904,450   | 34,983,227   |
| 36 Total Stockholder's Equity             | 32,772,662   | 40,231,441   | 40,653,291   | 38,339,267   | 35,366,508   |
| 37 Total Liab. and Stockholder's Equity   | 66,186,532   | \$69,114,595 | \$71,194,361 | \$61,792,106 | \$56,721,530 |

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

| <b>INCOME STATEMENT</b>                       | <b>2006</b>          | <b>2005</b>          | <b>2004</b>       | <b>2003</b>        | <b>2002</b>        |           |
|---|----------------------|----------------------|-------------------|--------------------|--------------------|-----------|
| <b>TELEPHONE OPERATING REVENUES</b>           |                      |                      |                   |                    |                    |           |
| Local Network Services                        | \$3,631,319          | \$3,987,206          | \$4,217,853       | \$4,245,807        | \$4,439,838        | 1         |
| Network Access Services                       | 9,469,723            | 10,531,607           | 10,015,418        | 11,014,877         | 10,721,722         | 2         |
| Long Distance Network Services                | 1,087,867            | 1,303,026            | 1,803,651         | 1,828,125          | 2,007,478          | 3         |
| Miscellaneous Revenues                        | 4,268,616            | 4,378,543            | 4,560,604         | 5,059,119          | 4,649,371          | 4         |
| Less: Uncollectible Revenues                  | 32,500               | 179,000              | 120,000           | 146,400            | 465,329            | 5         |
| <b>Total Operating Revenues</b>               | <b>18,425,025</b>    | <b>20,021,382</b>    | <b>20,477,526</b> | <b>22,001,528</b>  | <b>21,353,080</b>  | <b>6</b>  |
| <b>TELEPHONE OPERATING EXPENSES</b>           |                      |                      |                   |                    |                    |           |
| Network Support Expenses                      | 12,035               | 8,764                | 9,666             | 8,728              | 8,728              | 7         |
| General Support Expenses                      | 898,232              | 652,010              | 627,266           | 589,411            | 748,947            | 8         |
| Central Office Switching                      | 673,581              | 604,984              | 583,933           | 485,161            | 512,641            | 9         |
| Operator Systems Expense                      |                      |                      |                   |                    | 30                 | 10        |
| Central Office Transmission                   | 1,451,358            | 1,261,462            | 1,167,154         | 1,371,781          | 980,734            | 11        |
| Info. Origination/Termination                 | 1,021,874            | 1,002,534            | 955,497           | 1,088,630          | 940,652            | 12        |
| Cable & Wire Facilities                       | 811,693              | 1,044,012            | 758,877           | 782,089            | 744,483            | 13        |
| <b>Total Plant Specific Operations</b>        | <b>4,868,773</b>     | <b>4,573,766</b>     | <b>4,102,394</b>  | <b>4,325,800</b>   | <b>3,936,215</b>   | <b>14</b> |
| Other Plant, Property & Equipment             | 180,753              | 36,070               | (20,823)          |                    |                    | 15        |
| Network Operations                            | 893,658              | 926,791              | 850,176           | 926,318            | 887,529            | 16        |
| Access Expense                                |                      |                      |                   |                    |                    | 17        |
| Depreciation and Amortization                 | 3,590,189            | 3,744,436            | 3,775,562         | 3,727,957          | 3,213,967          | 18        |
| <b>Total Plant Non-Specific Operations</b>    | <b>4,664,600</b>     | <b>4,707,296</b>     | <b>4,604,915</b>  | <b>4,654,275</b>   | <b>4,101,496</b>   | <b>19</b> |
| Marketing Expense                             | 692,691              | 910,113              | 997,159           | 835,584            | 684,045            | 20        |
| Services Expense                              | 3,159,195            | 3,078,303            | 3,288,581         | 3,304,584          | 3,168,562          | 21        |
| <b>Total Customer Operations</b>              | <b>3,851,886</b>     | <b>3,988,415</b>     | <b>4,285,740</b>  | <b>4,140,168</b>   | <b>3,852,608</b>   | <b>22</b> |
| Executive & Planning                          | 1,530,299            | 1,581,076            | 1,603,930         | 1,640,858          | 1,867,880          | 23        |
| General & Administrative                      | 6,250,744            | 6,841,809            | 4,306,442         | 2,518,220          | 1,885,078          | 24        |
| Provision - Uncollectible Notes Rec.          |                      |                      |                   |                    |                    | 25        |
| Other   |                      |                      |                   |                    |                    | 26        |
| <b>Total Corporate Operations</b>             | <b>7,781,043</b>     | <b>8,422,885</b>     | <b>5,910,373</b>  | <b>4,159,078</b>   | <b>3,752,958</b>   | <b>27</b> |
| <b>Total Operations Expense</b>               | <b>21,166,301</b>    | <b>21,692,362</b>    | <b>18,903,422</b> | <b>17,279,321</b>  | <b>15,643,277</b>  | <b>28</b> |
| Other Operating Income & Expenses             | 610,910              |                      |                   | (35,000)           |                    | 29        |
| State & Local Income Taxes                    |                      |                      |                   |                    |                    | 30        |
| Other Taxes                                   | 1,033,862            | 1,281,462            | 1,177,816         | 1,387,512          | 1,304,055          | 31        |
| <b>Net Operating Income Before FIT</b>        | <b>(3,164,228)</b>   | <b>(2,952,442)</b>   | <b>396,289</b>    | <b>3,299,695</b>   | <b>4,405,748</b>   | <b>32</b> |
| Investment Tax Credits - Net                  |                      | (107)                | 10,800            | 10,800             | 25,097             | 33        |
| Federal Income Taxes                          | (220,924)            | (1,036,662)          | (347,544)         | 511,072            | 727,927            | 34        |
| Provision - Def. Operating Income Taxes - Net |                      | (11,183)             | 412,194           | 577,367            | 602,296            | 35        |
| <b>Net Operating Income</b>                   | <b>(\$2,943,304)</b> | <b>(\$1,904,704)</b> | <b>\$342,438</b>  | <b>\$2,222,056</b> | <b>\$3,100,621</b> | <b>36</b> |

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

|   | <b>2006</b>         | <b>2005</b>         | <b>2004</b>         | <b>2003</b>         | <b>2002</b>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| 37 <b>Net Operating Income</b>                      | (\$2,943,304)       | (\$1,904,704)       | \$342,438           | \$2,222,056         | \$3,100,621         |
| <b>NON-OPERATING INCOME &amp; EXPENSES</b>          |                     |                     |                     |                     |                     |
| 38 Dividend Income                                  |                     | 200,659             | 18,811              |                     |                     |
| 39 Interest Income                                  | 454,165             | 256,162             | 28,511              |                     |                     |
| 40 Income - Sinking and Other Funds                 |                     |                     |                     |                     |                     |
| 41 Allowance for Funds Used During Construction     | 16,772              | 11,645              | 6,887               | 41,707              | 237,823             |
| 42 Gains/Losses - Disposal of Property              | 4,317               | 98,287              | 26,968              | 20,123              | (27,841)            |
| 43 Equity in Earnings of Affiliated Companies       | 133,563             | 78,315              | 112,121             | 34,043              | 575,820             |
| 44 Other Non-Operating Income                       | 9,475,960           | 10,821,574          | 12,729,225          | 8,920,934           | 7,578,667           |
| 45 Special Charges                                  | 158,009             | 44,312              | 59,814              | 59,646              | 51,716              |
| 46 Total Non-Operating Income & Expenses            | 9,926,768           | 11,422,331          | 12,862,709          | 8,957,160           | 8,312,753           |
| <b>NON-OPERATING TAXES</b>                          |                     |                     |                     |                     |                     |
| 47 Federal Income Taxes                             | 2,191,252           | 3,721,813           | 4,327,937           | 2,857,159           | 2,549,697           |
| 48 Other  |                     |                     |                     |                     |                     |
| 49 Total Non-Operating Taxes                        | 2,191,252           | 3,721,813           | 4,327,937           | 2,857,159           | 2,549,697           |
| 50 Income Available Before Interest Charges         | 4,792,211           | 5,795,815           | 8,877,211           | 8,322,057           | 8,863,677           |
| <b>INTEREST CHARGES</b>                             |                     |                     |                     |                     |                     |
| 51 Interest on Funded Debt                          | 684,668             | 599,384             | 349,905             | 401,190             | 282,000             |
| 52 Other Interest Expense                           | 110,064             | 26,617              | 15,027              | 41,766              | 284,862             |
| 53 Total Interest Charges                           | 794,733             | 626,001             | 364,932             | 442,956             | 566,862             |
| 54 Income Before Extraordinary & Nonreg Items       | 3,997,479           | 5,169,814           | 8,512,279           | 7,879,100           | 8,296,816           |
| <b>EXTRAORDINARY &amp; NONREG ITEMS</b>             |                     |                     |                     |                     |                     |
| 55 Extraordinary Items                              |                     |                     |                     |                     |                     |
| 56 Nonregulated Revenues                            |                     |                     |                     |                     |                     |
| 57 Total Extraordinary & Nonregulated Items         |                     |                     |                     |                     |                     |
| 58 <b>Net Income</b>                                | <b>\$3,997,479</b>  | <b>\$5,169,814</b>  | <b>\$8,512,279</b>  | <b>\$7,879,100</b>  | <b>\$8,296,816</b>  |
| <b>RETAINED EARNINGS STATEMENT</b>                  |                     |                     |                     |                     |                     |
| Unappropriated Retained Earnings:                   |                     |                     |                     |                     |                     |
| 59 Beginning Year Balance                           | \$40,854,158        | \$40,496,921        | \$37,450,313        | \$28,342,749        | \$24,245,051        |
| 60 Transferred from Income                          | 3,863,916           | 5,091,499           | 8,400,157           | 7,845,059           | 7,720,997           |
| 61 Appropriations                                   |                     |                     |                     |                     |                     |
| Dividends Declared:                                 |                     |                     |                     |                     |                     |
| 62 Preferred Stock                                  | 25,000              | 25,000              | 25,000              | 25,000              | 25,000              |
| 63 Common Stock                                     | 9,633,204           | 4,281,424           | 5,293,524           | 3,780,536           | 3,190,637           |
| 64 Adjustments                                      | 1,719,739           | (427,838)           | (439,243)           | (1,152,346)         | (407,663)           |
| 65 Ending Year Balance                              | 33,340,131          | 40,854,158          | 40,092,703          | 31,229,926          | 28,342,749          |
| 66 Appropriated/Undistr Affiliate Retained Earnings | 133,563             | 78,315              | 112,121             | 6,674,524           | 6,640,481           |
| 67 <b>Total Retained Earnings</b>                   | <b>\$33,473,694</b> | <b>\$40,932,473</b> | <b>\$40,204,824</b> | <b>\$37,904,450</b> | <b>\$34,983,230</b> |