

Table 1 T

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$474,413	\$611,349	\$584,572	\$465,786	\$540,591
2 Accounts Receivable (Net)	2,555,861	2,891,003	2,183,188	1,998,323	1,894,187
3 Current Deferred Income Taxes	331,006	335,021	331,586	336,006	335,404
4 Other Current Assets	388,068	559,972	428,013	390,671	295,252
5 Total Current Assets	3,749,349	4,397,345	3,527,359	3,190,785	3,065,434
<b>NON-CURRENT ASSETS</b>					
6 Investments	703,894	(197,890)	226,602	429,782	449,689
7 Unamortized Debt Issuance Costs	61,337	105,077	131,272	140,284	149,946
8 Deferred Charges	674,151	709,141	739,828	762,608	422,119
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	1,618,529	1,951,154	1,612,899	1,943,941	1,734,043
11 Other Non-Current Assets	810,049	556,772	255,019	85,524	67,743
12 Total Non-Current Assets	3,867,959	3,124,254	2,965,620	3,362,139	2,823,540
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	32,736,782	32,024,051	30,883,680	28,799,743	26,909,984
14 Less: Accumulated Depr and Amort.	18,796,098	17,761,593	16,183,169	14,535,757	13,131,106
15 Net Regulated Plant	13,940,683	14,262,458	14,700,512	14,263,986	13,778,878
16 Total Assets & Other Debits	\$21,557,992	\$21,784,057	\$21,193,491	\$20,816,910	\$19,667,852
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$3,680,996	\$1,826,825	\$5,848,780	\$5,350,780	\$3,772,798
18 Notes Payable	2,054,298	2,131,452	(277,911)	(1,123,854)	(242,471)
19 Advanced Billings	206,944	218,407	205,996	202,215	190,463
20 Customer Deposits	9,857	7,085	7,726	9,898	13,030
21 Current Maturities - Long-Term Debt	155,618	359,952	48,444	8,800	80,641
22 Current Deferred Income Taxes	389,689	519,994	525,799	586,052	605,090
23 Other Current Liabilities	994,953	1,150,013	1,047,080	828,566	476,760
24 Total Current Liabilities	7,492,356	6,213,728	7,405,913	5,862,456	4,896,311
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,868,233	4,796,748	3,571,487	4,079,288	4,107,826
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	87,884	94,311	100,620	117,209	121,903
27 Non-Current Deferred Taxes	2,202,339	2,311,717	1,977,745	2,515,980	2,287,088
28 Other Deferred Credits	712,434	785,594	970,315	907,588	595,054
29 Other Jurisdictional Differences - Net				1,310	
30 Other Liabilities	4,013,944	3,795,526	2,487,325	2,317,605	2,549,285
31 Total Other Liab. and Def. Credits	7,016,601	6,987,147	5,536,004	5,859,693	5,553,330
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	29,566	32,988	32,962	32,980	298,001
33 Preferred Stock	1,013	1,015	1,020	1,132	1,132
34 Other Paid in Capital	2,106,606	2,098,691	2,103,131	2,124,033	1,799,380
35 Retained Earnings	1,043,616	1,652,485	2,542,972	2,857,327	3,011,872
36 Total Stockholder's Equity	3,180,802	3,785,180	4,680,086	5,015,472	5,110,385
37 Total Liab. and Stockholder's Equity	\$21,557,992	\$21,782,803	\$21,193,491	\$20,816,910	\$19,667,852

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services						1
Network Access Services	2,578,678	2,632,939	2,640,105	2,620,789	2,658,840	2
Long Distance Network Services	213,341	188,572	207,245	230,961	256,376	3
Miscellaneous Revenues	1,384,931	1,460,718	1,552,950	1,116,462	640,318	4
Less: Uncollectible Revenues	202,941	341,974	363,708	226,137	119,584	5
<b>Total Operating Revenues</b>	<b>7,827,351</b>	<b>8,219,824</b>	<b>8,373,980</b>	<b>8,754,860</b>	<b>8,824,328</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	11,434	11,848	8,608	4,818	3,360	7
General Support Expenses	458,748	430,448	412,494	482,593	455,125	8
Central Office Switching	243,783	250,180	272,884	255,113	257,520	9
Operator Systems Expense	918	1,066	478	174	253	10
Central Office Transmission	126,724	122,493	139,085	121,861	123,514	11
Info. Origination/Termination	308,483	261,887	268,352	280,984	318,426	12
Cable & Wire Facilities	1,013,954	875,318	877,545	1,036,862	969,677	13
<b>Total Plant Specific Operations</b>	<b>2,164,043</b>	<b>1,953,241</b>	<b>1,979,446</b>	<b>2,182,404</b>	<b>2,127,875</b>	<b>14</b>
Other Plant, Property & Equipment	7,999	2,615	3,591	39,872	309	15
Network Operations	875,037	712,563	767,781	741,197	670,768	16
Access Expense	181,755	234,407	365,710	422,290	388,936	17
Depreciation and Amortization	2,289,236	2,328,730	2,189,365	2,140,978	1,987,658	18
<b>Total Plant Non-Specific Operations</b>	<b>3,354,027</b>	<b>3,278,315</b>	<b>3,326,447</b>	<b>3,344,338</b>	<b>3,047,670</b>	<b>19</b>
Marketing Expense	311,189	316,722	336,175	363,413	370,755	20
Services Expense	754,092	676,869	693,294	702,105	745,196	21
<b>Total Customer Operations</b>	<b>1,065,281</b>	<b>993,591</b>	<b>1,029,469</b>	<b>1,065,518</b>	<b>1,115,951</b>	<b>22</b>
Executive & Planning	70,442	72,576	80,773	58,968	58,701	23
General & Administrative	1,945,829	1,584,945	1,560,542	1,103,148	1,297,071	24
Provision - Uncollectible Notes Rec.	0	0	(5)			25
Other					3	26
<b>Total Corporate Operations</b>	<b>2,016,270</b>	<b>1,657,521</b>	<b>1,641,311</b>	<b>1,162,116</b>	<b>1,355,775</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>8,599,621</b>	<b>7,882,668</b>	<b>7,976,672</b>	<b>7,754,376</b>	<b>7,647,270</b>	<b>28</b>
Other Operating Income & Expenses	(9,941)	(4,322)	8,230	530	19,557	29
State & Local Income Taxes	59	79	(41)	(37)	97	30
Other Taxes	722,231	623,262	587,005	661,886	750,539	31
<b>Net Operating Income Before FIT</b>	<b>(1,504,501)</b>	<b>(290,507)</b>	<b>(181,426)</b>	<b>339,166</b>	<b>445,978</b>	<b>32</b>
Investment Tax Credits - Net	3,151	6,256	9,879	11,695	13,271	33
Federal Income Taxes	(520,874)	(248,184)	32,954	147,810	235,135	34
Provision - Def. Operating Income Taxes - Net	(82,315)	84,683	(186,944)	6,975	(113,531)	35
<b>Net Operating Income</b>	<b>(\$898,160)</b>	<b>(\$120,749)</b>	<b>(\$17,556)</b>	<b>\$196,075</b>	<b>\$337,644</b>	<b>36</b>

Table 3 T

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

	2003	2002	2001	2000	1999
<b>37 Net Operating Income</b>					
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	303	282	270	178	279
39 Interest Income	11,286	17,649	92,222	71,590	18,461
40 Income - Sinking and Other Funds	1				39
41 Allowance for Funds Used During Construction	13,865	33,814	46,676	52,767	33,415
42 Gains/Losses - Disposal of Property	48	(201)	42	71	10,296
43 Equity in Earnings of Affiliated Companies	41,618	83,751	35,535	57,520	76,982
44 Other Non-Operating Income	78,842	(2,629)	(217,881)	(26,919)	454,950
45 Special Charges	13,255	14,374	17,224	25,861	16,194
46 Total Non-Operating Income & Expenses	132,707	118,293	(60,359)	129,346	578,228
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	29,373	9,850	27,892	4,717	157,960
48 Other	5,097	5,854	3,580	2,567	11,669
49 Total Non-Operating Taxes	34,469	15,704	31,472	7,284	169,628
50 Income Available Before Interest Charges	(799,922)	(18,160)	(109,388)	318,138	746,244
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	301,037	292,119	247,465	256,374	261,118
52 Other Interest Expense	134,244	118,147	141,000	183,947	98,309
53 Total Interest Charges	458,531	410,265	388,465	440,320	359,427
54 Income Before Extraordinary & Nonreg Items	(1,258,453)	(428,425)	(497,853)	(122,183)	386,817
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items	(453,043)	86	9,398		(2,995)
56 Nonregulated Revenues	225,233	284,441	284,130	310,079	311,433
57 Total Extraordinary & Nonregulated Items	(227,810)	284,527	293,529	310,079	308,438
58 <b>Net Income</b>	(\$148,596)	(\$14,387)	(\$20,428)	\$18,786	\$69,512
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,575,789	\$2,534,730	\$2,819,747	\$2,964,541	\$2,348,242
60 Transferred from Income	(556,755)	(167,489)	(196,710)	184,003	664,053
61 Appropriations					161
Dividends Declared:					
62 Preferred Stock	54	54	54	61	80
63 Common Stock	207,162	222,987	80,263	52,689	45,049
64 Adjustments	231,058	(568,412)	(7,989)	(276,047)	(2,464)
65 Ending Year Balance	1,042,875	1,575,789	2,534,730	2,819,747	2,964,541
66 Appropriated/Undistr Affiliate Retained Earnings	741	26,400	8,242	37,580	47,334
67 <b>Total Retained Earnings</b>	\$1,043,616	\$1,602,189	\$2,542,972	\$2,857,327	\$3,011,875

Table 1 WT

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$57,090	\$56,488	\$49,339	\$77,452	\$122,532
2 Accounts Receivable (Net)	1,257,420	1,146,308	165,030	208,934	172,859
3 Current Deferred Income Taxes	311	4,325	891	5,310	4,708
4 Other Current Assets	32,858	39,672	31,276	35,394	31,795
5 Total Current Assets	1,347,679	1,246,793	246,536	327,090	331,894
<b>NON-CURRENT ASSETS</b>					
6 Investments	357,579	(537,389)	(109,039)	96,609	113,245
7 Unamortized Debt Issuance Costs	491	423	449	565	699
8 Deferred Charges	10,359	9,901	11,420	11,739	11,213
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	8,043	340,668	2,413	322,917	97,336
11 Other Non-Current Assets	219,620	233,051	223,142	55,105	45,572
12 Total Non-Current Assets	596,093	46,654	128,385	486,935	268,065
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	3,333,981	3,260,320	3,164,553	2,946,358	2,786,958
14 Less: Accumulated Depr and Amort.	1,777,718	1,626,905	1,506,595	1,377,985	1,307,659
15 Net Regulated Plant	1,556,263	1,633,415	1,657,958	1,568,373	1,479,299
16 Total Assets & Other Debits	\$3,500,035	\$2,926,862	\$2,032,879	\$2,382,399	\$2,079,257
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$1,714,667	\$70,781	\$99,753	\$136,377	\$108,078
18 Notes Payable	6,997	12,460	15,482	16,981	14,156
19 Advanced Billings	12,779	11,964	12,892	15,539	12,035
20 Customer Deposits	399	530	465	590	581
21 Current Maturities - Long-Term Debt	4,690	9,352	45,814	5,770	7,748
22 Current Deferred Income Taxes	326	948	940	1,314	28
23 Other Current Liabilities	26,916	17,175	53,999	38,312	44,769
24 Total Current Liabilities	1,766,774	123,209	229,346	214,884	187,394
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	78,498	661,672	375,525	460,174	488,027
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	109	3,509	3,722	10,730	4,899
27 Non-Current Deferred Taxes	159,786	690,793	117,878	510,714	216,277
28 Other Deferred Credits	20,182	28,655	30,019	34,797	45,061
29 Other Jurisdictional Differences - Net				1,310	
30 Other Liabilities	140,827	118,653	103,240	81,858	82,464
31 Total Other Liab. and Def. Credits	320,903	841,610	254,859	639,408	348,701
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	28,566	31,988	31,962	31,980	297,001
33 Preferred Stock	1,013	1,015	1,020	1,132	1,132
34 Other Paid in Capital	543,572	536,408	540,849	539,936	8,188
35 Retained Earnings	760,707	729,705	599,318	494,884	748,814
36 Total Stockholder's Equity	1,333,859	1,299,117	1,173,149	1,067,933	1,055,135
37 Total Liab. and Stockholder's Equity	\$3,500,035	\$2,925,608	\$2,032,879	\$2,382,399	\$2,079,257

Table 2 WT

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$352,074	\$353,236	\$360,153	\$354,730	\$351,402	1
Network Access Services	398,183	386,818	378,024	370,141	365,804	2
Long Distance Network Services	10,297	11,178	12,693	15,351	17,183	3
Miscellaneous Revenues	158,468	167,672	173,956	162,241	162,025	4
Less: Uncollectible Revenues	14,614	7,945	4,902	5,817	4,626	5
Total Operating Revenues	904,408	910,958	919,924	896,646	891,788	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	1,000	2,179	1,231	1,706	1,310	7
General Support Expenses	45,451	42,881	40,416	52,084	50,009	8
Central Office Switching	27,572	27,692	27,075	33,479	28,864	9
Operator Systems Expense	459	399	44	16	33	10
Central Office Transmission	12,188	11,219	11,947	9,569	6,278	11
Info. Origination/Termination	21,621	18,490	17,587	15,590	18,186	12
Cable & Wire Facilities	62,892	58,832	56,465	67,629	52,672	13
Total Plant Specific Operations	171,184	161,693	154,765	180,074	157,351	14
Other Plant, Property & Equipment	239	436	388	480	374	15
Network Operations	58,303	55,100	61,917	52,606	51,158	16
Access Expense	22,883	14,618	23,074	21,152	16,431	17
Depreciation and Amortization	135,936	173,050	173,528	152,860	153,559	18
Total Plant Non-Specific Operations	217,361	243,204	258,906	227,098	221,521	19
Marketing Expense	20,633	22,866	24,747	19,252	16,512	20
Services Expense	82,386	86,922	98,422	90,994	91,114	21
Total Customer Operations	103,019	109,788	123,169	110,246	107,626	22
Executive & Planning	19,907	21,964	22,510	22,221	23,511	23
General & Administrative	75,318	81,963	97,729	85,978	80,986	24
Provision - Uncollectible Notes Rec.						25
Other					3	26
Total Corporate Operations	95,225	103,927	120,239	108,199	104,500	27
Total Operations Expense	586,789	618,612	657,079	625,618	590,999	28
Other Operating Income & Expenses	(42)	(108)	(75)	(44)	(34)	29
State & Local Income Taxes	202	165	198	231	141	30
Other Taxes	52,297	48,078	46,756	49,110	58,655	31
<b>Net Operating Income Before FIT</b>	<b>265,078</b>	<b>243,996</b>	<b>215,817</b>	<b>221,644</b>	<b>241,959</b>	<b>32</b>
Investment Tax Credits - Net	125	160	298	1,171	1,396	33
Federal Income Taxes	41,939	7,257	57,369	43,702	79,948	34
Provision - Def. Operating Income Taxes - Net	29,702	41,554	17,364	78,865	(37,644)	35
<b>Net Operating Income</b>	<b>\$193,562</b>	<b>\$195,344</b>	<b>\$141,382</b>	<b>\$100,247</b>	<b>\$201,051</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)**

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$193,562	\$195,344	\$141,382	\$100,247	\$201,051
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	4,008	1,252	3,879	8,590	5,431
40 Income - Sinking and Other Funds	1				39
41 Allowance for Funds Used During Construction	1,590	4,453	5,272	5,016	4,583
42 Gains/Losses - Disposal of Property	62	(199)	36	71	9,689
43 Equity in Earnings of Affiliated Companies	(4,099)	8,286	2,222	3,119	29,431
44 Other Non-Operating Income	8,183	1,267	(2,108)	(1,493)	(477)
45 Special Charges	3,407	1,688	2,110	10,769	4,286
46 Total Non-Operating Income & Expenses	6,339	13,370	7,191	4,533	44,408
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(2,244)	1,858	(1,399)	(5,493)	1,101
48 Other	(763)	66	64	1,354	1,080
49 Total Non-Operating Taxes	(3,007)	1,924	(1,335)	(4,139)	2,181
50 Income Available Before Interest Charges	202,908	206,791	149,907	108,920	243,278
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	5,682	6,778	9,825	10,252	10,907
52 Other Interest Expense	62,306	32,593	10,910	8,734	7,010
53 Total Interest Charges	67,988	39,371	20,735	18,987	17,917
54 Income Before Extraordinary & Nonreg Items	134,919	167,420	129,173	89,933	225,361
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items		(1)			(243)
56 Nonregulated Revenues	(27)	46	228	(764)	(27)
57 Total Extraordinary & Nonregulated Items	(27)	45	228	(764)	(270)
58 <b>Net Income</b>	\$134,892	\$167,465	\$129,401	\$89,170	\$225,091
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$655,045	\$577,982	\$472,843	\$716,247	\$565,999
60 Transferred from Income	\$115,867	\$159,461	\$127,449	\$86,228	\$195,897
61 Appropriations					\$161
Dividends Declared:					
62 Preferred Stock	\$54	\$54	\$54	\$61	\$80
63 Common Stock	\$27,162	\$32,987	\$14,263	\$52,689	\$45,049
64 Adjustments	(\$1,193)	(\$49,357)	(\$7,993)	(\$276,883)	(\$359)
65 Ending Year Balance	742,503	655,045	577,982	472,843	716,247
66 Appropriated/Undistr Affiliate Retained Earnings	18,204	24,363	21,336	22,041	32,571
67 <b>Total Retained Earnings</b>	\$760,707	\$679,408	\$599,318	\$494,884	\$748,817

Table 1 AT

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$419,455	\$564,399	\$539,363	\$418,719	\$470,669
2 Accounts Receivable (Net)	2,379,264	2,328,119	2,112,605	1,914,153	1,829,694
3 Current Deferred Income Taxes	330,696	333,685	330,696	333,685	333,477
4 Other Current Assets	372,700	543,311	412,583	375,723	280,596
5 Total Current Assets	3,502,115	3,769,513	3,395,246	3,042,280	2,914,435
<b>NON-CURRENT ASSETS</b>					
6 Investments	614,395	(131,728)	172,405	362,576	359,333
7 Unamortized Debt Issuance Costs	60,845	104,653	130,838	139,791	149,377
8 Deferred Charges	668,056	703,961	734,128	756,529	416,235
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	1,610,486	1,893,104	1,610,486	1,892,315	1,715,343
11 Other Non-Current Assets	783,814	528,302	228,947	63,280	48,334
12 Total Non-Current Assets	3,737,596	3,098,293	2,876,805	3,214,490	2,688,622
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	31,760,610	31,078,769	29,948,558	27,917,663	26,073,464
14 Less: Accumulated Depr and Amort.	18,270,778	17,281,563	15,724,104	14,118,910	12,743,726
15 Net Regulated Plant	13,489,832	13,797,206	14,224,454	13,798,753	13,329,737
16 Total Assets & Other Debits	\$20,729,544	\$20,665,012	\$20,496,505	\$20,055,523	\$18,932,795
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$3,523,032	\$1,802,644	\$5,815,984	\$5,295,578	\$3,723,114
18 Notes Payable	2,047,302	2,118,992	(293,393)	(1,140,835)	(256,627)
19 Advanced Billings	203,332	215,469	201,920	195,506	186,890
20 Customer Deposits	9,556	6,799	7,431	9,566	12,707
21 Current Maturities - Long-Term Debt	150,928	350,600	42,630	3,030	72,893
22 Current Deferred Income Taxes	389,363	519,793	524,859	585,484	605,063
23 Other Current Liabilities	981,109	1,141,906	1,035,431	817,838	457,002
24 Total Current Liabilities	7,304,622	6,156,202	7,334,862	5,766,166	4,801,042
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,789,734	4,360,222	3,481,093	3,978,245	3,988,390
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	87,776	94,073	100,169	109,751	121,041
27 Non-Current Deferred Taxes	2,151,689	2,191,540	1,928,219	2,394,207	2,217,574
28 Other Deferred Credits	695,881	768,864	957,010	894,514	578,838
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	3,971,990	3,760,732	2,456,309	2,299,306	2,530,173
31 Total Other Liab. and Def. Credits	6,907,336	6,815,210	5,441,707	5,697,778	5,447,626
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	1,001	1,001	1,001	1,001	265,629
33 Preferred Stock					
34 Other Paid in Capital	2,014,271	2,013,519	2,013,519	2,034,899	1,758,729
35 Retained Earnings	712,580	1,318,858	2,224,321	2,577,434	2,671,380
36 Total Stockholder's Equity	2,727,852	3,333,379	4,238,841	4,613,334	4,695,737
37 Total Liab. and Stockholder's Equity	\$20,729,544	\$20,665,012	\$20,496,505	\$20,055,523	\$18,932,795

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>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$3,752,278	\$4,179,880	\$4,238,084	\$4,913,781	\$5,292,147	1
Network Access Services	2,418,736	2,475,980	2,486,063	2,468,096	2,511,064	2
Long Distance Network Services	206,063	181,080	198,935	221,412	245,992	3
Miscellaneous Revenues	1,332,997	1,403,603	1,493,943	1,058,981	584,644	4
Less: Uncollectible Revenues	200,420	339,291	361,911	224,503	118,360	5
<b>Total Operating Revenues</b>	<b>7,509,655</b>	<b>7,901,251</b>	<b>8,055,115</b>	<b>8,437,765</b>	<b>8,515,487</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	10,707	11,019	7,758	3,760	2,450	7
General Support Expenses	443,522	416,542	398,078	466,579	438,744	8
Central Office Switching	232,985	239,012	262,296	243,953	245,319	9
Operator Systems Expense	713	1,066	473	168	252	10
Central Office Transmission	119,864	116,282	133,419	117,986	121,100	11
Info. Origination/Termination	301,341	255,730	262,234	274,847	312,192	12
Cable & Wire Facilities	995,903	857,005	860,225	1,019,598	953,947	13
<b>Total Plant Specific Operations</b>	<b>2,105,034</b>	<b>1,896,657</b>	<b>1,924,483</b>	<b>2,126,891</b>	<b>2,074,004</b>	<b>14</b>
Other Plant, Property & Equipment	7,763	2,230	3,351	39,573	(3)	15
Network Operations	855,811	692,575	750,500	726,421	655,870	16
Access Expense	175,299	229,310	361,447	419,044	385,688	17
Depreciation and Amortization	2,241,442	2,275,410	2,134,487	2,092,734	1,942,058	18
<b>Total Plant Non-Specific Operations</b>	<b>3,280,315</b>	<b>3,199,525</b>	<b>3,249,786</b>	<b>3,277,772</b>	<b>2,983,613</b>	<b>19</b>
Marketing Expense	303,902	307,740	327,184	356,260	363,364	20
Services Expense	727,021	646,638	660,905	670,695	712,496	21
<b>Total Customer Operations</b>	<b>1,030,923</b>	<b>954,378</b>	<b>988,090</b>	<b>1,026,955</b>	<b>1,075,860</b>	<b>22</b>
Executive & Planning	56,190	56,734	64,934	43,582	43,431	23
General & Administrative	1,906,874	1,542,435	1,525,176	1,071,865	1,265,806	24
Provision - Uncollectible Notes Rec.	0	0	(5)			25
Other						26
<b>Total Corporate Operations</b>	<b>1,963,064</b>	<b>1,599,169</b>	<b>1,590,105</b>	<b>1,115,447</b>	<b>1,309,237</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>8,379,336</b>	<b>7,649,729</b>	<b>7,752,464</b>	<b>7,547,066</b>	<b>7,442,715</b>	<b>28</b>
Other Operating Income & Expenses	(9,898)	(4,214)	8,306	575	19,588	29
State & Local Income Taxes	(143)	(86)	(239)	(268)	(44)	30
Other Taxes	705,616	606,086	569,213	642,860	729,777	31
<b>Net Operating Income Before FIT</b>	<b>(1,585,052)</b>	<b>(358,691)</b>	<b>(258,017)</b>	<b>248,682</b>	<b>362,627</b>	<b>32</b>
Investment Tax Credits - Net	3,026	6,096	9,582	11,290	12,641	33
Federal Income Taxes	(540,918)	(258,716)	6,884	128,683	202,967	34
Provision - Def. Operating Income Taxes - Net	(85,415)	81,408	(187,433)	(21,221)	(102,204)	35
<b>Net Operating Income</b>	<b>(\$955,693)</b>	<b>(\$175,287)</b>	<b>(\$67,887)</b>	<b>\$152,510</b>	<b>\$274,505</b>	<b>36</b>

Table 3 AT

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	(\$955,693)	(\$175,287)	(\$67,887)	\$152,510	\$274,505
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	10,067	16,430	90,129	68,777	16,221
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	13,495	33,026	45,400	51,838	32,533
42 Gains/Losses - Disposal of Property	(14)	(2)	7	(37)	607
43 Equity in Earnings of Affiliated Companies	45,717	75,465	33,313	54,401	47,551
44 Other Non-Operating Income	68,354	(6,837)	(218,169)	(27,397)	452,421
45 Special Charges	11,350	13,747	16,395	25,360	15,582
46 Total Non-Operating Income & Expenses	126,267	104,336	(65,715)	122,222	533,752
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	29,354	7,902	27,589	6,246	154,835
48 Other	5,861	5,788	3,516	2,471	10,617
49 Total Non-Operating Taxes	35,215	13,690	31,106	8,717	165,452
50 Income Available Before Interest Charges	(864,640)	(84,641)	(164,708)	266,016	642,806
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	295,355	286,058	240,645	249,125	253,216
52 Other Interest Expense	126,542	111,196	138,900	181,279	95,450
53 Total Interest Charges	421,897	397,254	379,544	430,405	348,665
54 Income Before Extraordinary & Nonreg Items	(1,286,537)	(481,895)	(544,252)	(164,389)	294,140
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items	(453,043)	87	9,398		(2,680)
56 Nonregulated Revenues	225,261	284,395	283,902	310,843	311,460
57 Total Extraordinary & Nonregulated Items	(227,782)	284,482	293,300	310,843	308,780
58 <b>Net Income</b>	(\$1,514,319)	(\$197,413)	(\$250,952)	\$146,454	\$602,921
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,266,525	\$2,237,415	\$2,561,896	\$2,656,616	\$2,057,529
60 Transferred from Income	(588,733)	(212,718)	(241,116)	145,679	601,192
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	180,000	190,000	66,000	23,000	
64 Adjustments	232,251	(568,173)	(17,365)	(217,399)	(2,105)
65 Ending Year Balance	730,043	1,266,525	2,237,415	2,561,896	2,656,616
66 Appropriated/Undistr Affiliate Retained Earnings	(17,463)	2,037	(13,094)	15,539	14,764
67 <b>Total Retained Earnings</b>	\$712,580	\$1,268,562	\$2,224,321	\$2,577,434	\$2,671,380

Table 1 BT

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$54,958	\$46,950	\$45,209	\$47,066	\$69,922
2 Accounts Receivable (Net)	176,597	562,884	70,583	84,170	64,494
3 Current Deferred Income Taxes	311	1,336	891	2,321	1,927
4 Other Current Assets	15,368	16,661	15,430	14,948	14,656
5 Total Current Assets	247,234	627,832	132,113	148,505	150,999
<b>NON-CURRENT ASSETS</b>					
6 Investments	89,499	(66,162)	54,197	67,206	90,356
7 Unamortized Debt Issuance Costs	491	423	434	493	569
8 Deferred Charges	6,095	5,181	5,700	6,080	5,884
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	8,043	58,050	2,413	51,626	18,700
11 Other Non-Current Assets	26,235	28,470	26,071	22,244	19,409
12 Total Non-Current Assets	130,363	25,961	88,815	147,649	134,918
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	976,172	945,282	935,122	882,080	836,520
14 Less: Accumulated Depr and Amort.	525,321	480,030	459,064	416,847	387,380
15 Net Regulated Plant	450,851	465,252	476,058	465,233	449,140
16 Total Assets & Other Debits	\$828,448	\$1,119,045	\$696,986	\$761,387	\$735,057
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$157,964	\$24,181	\$32,795	\$55,203	\$49,684
18 Notes Payable	6,997	12,460	15,482	16,981	14,156
19 Advanced Billings	3,612	2,938	4,076	6,709	3,572
20 Customer Deposits	301	286	294	332	323
21 Current Maturities - Long-Term Debt	4,690	9,352	5,814	5,770	7,748
22 Current Deferred Income Taxes	326	202	940	568	28
23 Other Current Liabilities	13,845	8,106	11,649	10,728	19,758
24 Total Current Liabilities	187,734	57,526	71,051	96,290	95,269
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	78,498	436,526	90,394	101,043	119,436
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	109	238	450	7,458	862
27 Non-Current Deferred Taxes	50,650	120,176	49,525	121,773	69,513
28 Other Deferred Credits	16,553	16,729	13,305	13,074	16,216
29 Other Jurisdictional Differences - Net				1,310	
30 Other Liabilities	41,954	34,794	31,016	18,300	19,112
31 Total Other Liab. and Def. Credits	109,266	171,937	94,297	161,914	105,704
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	28,565	31,987	31,961	31,979	32,372
33 Preferred Stock	1,013	1,015	1,020	1,132	1,132
34 Other Paid in Capital	92,335	85,172	89,612	89,135	40,651
35 Retained Earnings	331,036	333,627	318,651	279,893	340,492
36 Total Stockholder's Equity	452,950	451,801	441,245	402,139	414,648
37 Total Liab. and Stockholder's Equity	\$828,448	\$1,117,790	\$696,986	\$761,387	\$735,057

Table 2 BT

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

<b>INCOME STATEMENT</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>		
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$101,064	\$99,688	\$99,304	\$99,006	\$96,232	1
Network Access Services	159,942	156,960	154,042	152,693	147,776	2
Long Distance Network Services	7,279	7,493	8,310	9,549	10,383	3
Miscellaneous Revenues	51,933	57,115	59,007	57,482	55,673	4
Less: Uncollectible Revenues	2,521	2,683	1,797	1,634	1,224	5
<b>Total Operating Revenues</b>	<b>317,696</b>	<b>318,573</b>	<b>318,866</b>	<b>317,095</b>	<b>308,840</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	727	829	850	1,058	911	7
General Support Expenses	15,226	13,905	14,417	16,015	16,382	8
Central Office Switching	10,798	11,168	10,588	11,159	12,201	9
Operator Systems Expense	205	0	4	5	1	10
Central Office Transmission	6,860	6,210	5,666	3,875	2,414	11
Info. Origination/Termination	7,141	6,157	6,118	6,137	6,233	12
Cable & Wire Facilities	18,051	18,313	17,320	17,264	15,729	13
	179					
<b>Total Plant Specific Operations</b>	<b>59,010</b>	<b>56,584</b>	<b>54,963</b>	<b>55,513</b>	<b>53,871</b>	<b>14</b>
Other Plant, Property & Equipment	235	384	240	299	312	15
Network Operations	19,226	19,989	17,280	14,776	14,898	16
Access Expense	6,456	5,097	4,263	3,246	3,248	17
Depreciation and Amortization	47,794	53,320	54,878	48,244	45,600	18
<b>Total Plant Non-Specific Operations</b>	<b>73,712</b>	<b>78,790</b>	<b>76,661</b>	<b>66,565</b>	<b>64,057</b>	<b>19</b>
Marketing Expense	7,286	8,982	8,991	7,153	7,391	20
Services Expense	27,071	30,231	32,388	31,410	32,700	21
<b>Total Customer Operations</b>	<b>34,358</b>	<b>39,213</b>	<b>41,379</b>	<b>38,563</b>	<b>40,091</b>	<b>22</b>
Executive & Planning	14,251	15,842	15,839	15,386	15,270	23
General & Administrative	38,955	42,511	35,367	31,283	31,264	24
Provision - Uncollectible Notes Rec.						25
Other					3	26
<b>Total Corporate Operations</b>	<b>53,206</b>	<b>58,352</b>	<b>51,206</b>	<b>46,669</b>	<b>46,537</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>220,285</b>	<b>232,939</b>	<b>224,209</b>	<b>207,310</b>	<b>204,555</b>	<b>28</b>
Other Operating Income & Expenses	(42)	(108)	(76)	(44)	(31)	29
State & Local Income Taxes	202	165	198	231	141	30
Other Taxes	16,615	17,176	17,792	19,026	20,762	31
<b>Net Operating Income Before FIT</b>	<b>80,551</b>	<b>68,184</b>	<b>76,592</b>	<b>90,484</b>	<b>83,351</b>	<b>32</b>
Investment Tax Credits - Net	125	160	298	405	630	33
Federal Income Taxes	20,043	10,532	26,069	19,127	32,168	34
Provision - Def. Operating Income Taxes - Net	3,100	3,275	489	28,197	(11,326)	35
<b>Net Operating Income</b>	<b>\$57,533</b>	<b>\$54,538</b>	<b>\$50,331</b>	<b>\$43,565</b>	<b>\$63,139</b>	<b>36</b>

Table 3 BT

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$57,533	\$54,538	\$50,331	\$43,565	\$63,139
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	\$303	\$282	\$270	\$178	\$279
39 Interest Income	\$1,219	\$1,219	\$2,093	\$2,813	\$2,240
40 Income - Sinking and Other Funds	\$1				\$39
41 Allowance for Funds Used During Construction	\$370	\$787	\$1,277	\$929	\$882
42 Gains/Losses - Disposal of Property	\$62	(\$199)	\$36	\$107	\$9,689
43 Equity in Earnings of Affiliated Companies	(\$4,099)	\$8,286	\$2,222	\$3,119	\$29,431
44 Other Non-Operating Income	\$10,489	\$4,208	\$288	\$479	\$2,529
45 Special Charges	\$1,905	\$626	\$829	\$501	\$612
46 Total Non-Operating Income & Expenses	\$6,439	\$13,957	\$5,356	\$7,124	\$44,476
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	\$19	\$1,948	\$303	(\$1,529)	\$3,125
48 Other	(\$763)	\$66	\$64	\$95	\$1,052
49 Total Non-Operating Taxes	(\$746)	\$2,014	\$367	(\$1,433)	\$4,177
50 Income Available Before Interest Charges	\$64,718	\$66,481	\$55,320	\$52,122	\$103,439
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	\$5,682	\$6,061	\$6,821	\$7,248	\$7,903
52 Other Interest Expense	\$7,702	\$6,951	\$2,100	\$2,667	\$2,859
53 Total Interest Charges	\$36,634	\$13,011	\$8,921	\$9,916	\$10,762
54 Income Before Extraordinary & Nonreg Items	\$28,084	\$53,470	\$46,399	\$42,206	\$92,677
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items		(\$1)			(\$315)
56 Nonregulated Revenues	(\$27)	\$46	\$228	(\$764)	(\$27)
57 Total Extraordinary & Nonregulated Items	(\$27)	\$45	\$228	(\$764)	(\$342)
58 <b>Net Income</b>	\$28,057	\$53,515	\$46,627	\$41,443	\$92,335
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$309,264	\$297,315	\$257,851	\$307,925	\$290,714
60 Transferred from Income	31,978	45,229	44,405	38,324	62,861
61 Appropriations					161
Dividends Declared:					
62 Preferred Stock	54	54	54	61	80
63 Common Stock	27,162	32,987	14,263	29,689	45,049
64 Adjustments	(1,193)	(239)	9,376	(58,648)	(359)
65 Ending Year Balance	312,832	309,264	297,315	257,851	307,925
66 Appropriated/Undistr Affiliate Retained Earnings	18,204	24,363	21,336	22,041	32,571
67 <b>Total Retained Earnings</b>	\$331,036	\$333,627	\$318,651	\$279,893	\$340,496

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,231,496	\$338,936	\$241,807	\$423,350	\$194,207
2 Accounts Receivable (Net)	7,563,360	7,867,237	8,831,220	9,561,690	7,751,604
3 Current Deferred Income Taxes			588,719	588,719	588,719
4 Other Current Assets	589,136	798,142	380,222	812,540	1,440,843
5 Total Current Assets	9,383,992	9,004,315	10,041,968	11,386,299	9,975,373
<b>NON-CURRENT ASSETS</b>					
6 Investments	36,000	36,000	36,000	36,000	36,000
7 Unamortized Debt Issuance Costs	83,201	95,733	108,632	121,532	134,432
8 Deferred Charges		(23,548)	9,935	80,621	62,277
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets	3,321,045	4,262,757	4,410,362	4,949,329	5,365,096
12 Total Non-Current Assets	3,440,246	4,370,942	4,564,929	5,187,482	5,597,805
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	192,803,748	186,169,525	190,685,014	185,940,734	183,126,043
14 Less: Accumulated Depr and Amort.	107,836,078	97,343,835	99,528,135	92,392,517	89,849,057
15 Net Regulated Plant	84,967,670	88,825,690	91,156,879	93,548,217	93,276,986
16 Total Assets & Other Debits	\$97,791,908	\$102,200,947	\$105,763,776	\$110,121,998	\$108,850,164
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$2,493,049	\$3,273,743	\$4,551,082	\$5,807,217	\$2,411,124
18 Notes Payable					
19 Advanced Billings	1,002,353	489,114	1,461,141	4,486,061	1,348,507
20 Customer Deposits	14,450	10,543	4,746	7,596	6,893
21 Current Maturities - Long-Term Debt	2,272,400	2,272,400	2,272,400	2,272,400	1,454,400
22 Current Deferred Income Taxes					
23 Other Current Liabilities	1,784,952	2,314,275	2,656,288	2,609,245	3,322,739
24 Total Current Liabilities	7,567,204	8,360,075	10,945,657	15,182,519	8,543,663
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	13,001,600	16,190,664	19,583,932	20,439,298	26,391,583
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC				30,144	114,636
27 Non-Current Deferred Taxes	16,960,510	17,139,068	17,357,418	16,918,011	15,401,459
28 Other Deferred Credits	2,127,005	2,415,734	627,361	854,551	3,129,033
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	115,437	1,258,726	1,549,498	1,548,000	1,484,265
31 Total Other Liab. and Def. Credits	19,202,952	20,813,528	19,534,277	19,350,706	20,129,393
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	16,705,393	16,705,393	16,705,393	16,705,393	16,705,393
33 Preferred Stock					
34 Other Paid in Capital	4,527,661	4,527,661	4,527,661	4,527,661	4,527,661
35 Retained Earnings	36,787,098	35,603,626	34,466,856	33,916,421	32,552,471
36 Total Stockholder's Equity	58,020,152	56,836,680	55,699,910	55,149,475	53,785,525
37 Total Liab. and Stockholder's Equity	\$97,791,908	\$102,200,947	\$105,763,776	\$110,121,998	\$108,850,164

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$27,489,753	\$27,595,093	\$27,857,863	\$28,514,392	\$27,822,404	1
Network Access Services	22,080,878	19,725,028	19,757,958	19,757,448	18,345,343	2
Long Distance Network Services	2,126,556	2,391,134	2,751,357	2,904,895	3,706,659	3
Miscellaneous Revenues	7,100,083	7,923,143	7,663,610	6,977,352	7,280,351	4
Less: Uncollectible Revenues	620,168	796,917	389,000	190,000	197,000	5
<b>Total Operating Revenues</b>	<b>58,177,102</b>	<b>56,837,481</b>	<b>57,641,788</b>	<b>57,964,087</b>	<b>56,957,757</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	357,906	385,110	304,103	463,806	433,732	7
General Support Expenses	2,327,021	2,170,916	4,915,744	4,565,191	4,984,522	8
Central Office Switching	2,114,433	1,873,853	2,034,405	1,887,996	2,859,100	9
Operator Systems Expense						10
Central Office Transmission	947,655	974,196	1,029,410	537,189	341,267	11
Info. Origination/Termination	236,230	244,708	255,112	302,681	315,664	12
Cable & Wire Facilities	4,120,442	3,602,462	3,570,658	3,405,059	3,077,978	13
<b>Total Plant Specific Operations</b>	<b>10,103,687</b>	<b>9,251,245</b>	<b>12,109,432</b>	<b>11,161,922</b>	<b>12,012,263</b>	<b>14</b>
Other Plant, Property & Equipment	59,347	48,806	43,145	134,554	173,574	15
Network Operations	2,940,691	3,155,846	3,102,270	3,447,487	3,899,840	16
Access Expense	1,301,041	947,227	1,000,661	706,638	1,106,172	17
Depreciation and Amortization	9,395,139	9,774,592	9,514,692	9,447,953	9,102,151	18
<b>Total Plant Non-Specific Operations</b>	<b>13,696,218</b>	<b>13,926,471</b>	<b>13,660,768</b>	<b>13,736,632</b>	<b>14,281,737</b>	<b>19</b>
Marketing Expense	1,877,241	1,896,661	1,862,723	1,691,017	1,654,535	20
Services Expense	3,635,801	3,630,643	4,023,887	3,476,479	4,180,279	21
<b>Total Customer Operations</b>	<b>5,513,042</b>	<b>5,527,304</b>	<b>5,886,610</b>	<b>5,167,496</b>	<b>5,834,814</b>	<b>22</b>
Executive & Planning	433,313	468,118	278,398	373,871	704,794	23
General & Administrative	4,246,896	5,686,603	4,122,077	4,532,011	6,580,719	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>4,680,209</b>	<b>6,154,721</b>	<b>4,400,475</b>	<b>4,905,882</b>	<b>7,285,513</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>33,993,156</b>	<b>34,859,741</b>	<b>36,057,285</b>	<b>34,971,932</b>	<b>39,414,327</b>	<b>28</b>
Other Operating Income & Expenses				300	400	29
State & Local Income Taxes						30
Other Taxes	4,673,686	4,678,423	4,099,588	4,897,934	4,833,336	31
<b>Net Operating Income Before FIT</b>	<b>19,510,260</b>	<b>17,299,317</b>	<b>17,484,915</b>	<b>18,094,521</b>	<b>12,710,494</b>	<b>32</b>
Investment Tax Credits - Net			30,144	84,492	134,232	33
Federal Income Taxes	6,222,831	4,803,762	4,692,431	3,804,783	4,225,353	34
Provision - Def. Operating Income Taxes - Net	442,082	991,010	1,043,814	2,091,700	(446,281)	35
<b>Net Operating Income</b>	<b>\$12,845,347</b>	<b>\$11,504,545</b>	<b>\$11,778,814</b>	<b>\$12,282,530</b>	<b>\$9,065,654</b>	<b>36</b>

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

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
37 <b>Net Operating Income</b>	\$12,845,347	\$11,504,545	\$11,778,814	\$12,282,530	\$9,065,654
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	1,512	1,512	1,962		1,980
39 Interest Income	56,149	22,193	146,036	96,784	19,650
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	90,558	138,750	66,415	101,207	70,782
42 Gains/Losses - Disposal of Property	5,218				
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	(7,413,652)	(7,504,317)	(7,775,373)	(7,358,530)	(6,208,079)
45 Special Charges		307	13,466	10,253	12,371
46 Total Non-Operating Income & Expenses	(7,260,215)	(7,342,169)	(7,574,426)	(7,170,792)	(6,128,038)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(2,572,774)	(2,610,728)	(2,669,585)	(2,541,612)	(2,165,258)
48 Other					
49 Total Non-Operating Taxes	(2,572,774)	(2,610,728)	(2,669,585)	(2,541,612)	(2,165,258)
50 Income Available Before Interest Charges	8,157,906	6,773,104	6,873,973	7,653,350	5,102,874
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	1,582,889	1,794,189	2,005,489	2,163,536	2,316,517
52 Other Interest Expense	28,542	129,145	208,979	250,864	507,350
53 Total Interest Charges	1,611,431	1,923,334	2,214,468	2,414,400	2,823,867
54 Income Before Extraordinary & Nonreg Items	6,546,475	4,849,770	4,659,505	5,238,950	2,279,007
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$6,546,475</b>	<b>\$4,849,770</b>	<b>\$4,659,505</b>	<b>\$5,238,950</b>	<b>\$2,279,007</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$35,603,626	\$34,466,856	\$33,916,421	\$32,552,471	\$32,473,464
60 Transferred from Income	6,546,475	4,849,770	4,659,505	5,238,950	2,279,007
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	5,363,003	3,713,000	4,109,070	3,875,000	2,200,000
64 Adjustments					
65 Ending Year Balance	36,787,098	35,603,626	34,466,856	33,916,421	32,552,471
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	<b>\$36,787,098</b>	<b>\$35,603,626</b>	<b>\$34,466,856</b>	<b>\$33,916,421</b>	<b>\$32,552,471</b>

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,171,996	\$1,481,386	\$1,255,447	\$881,881	\$1,634,780
2 Accounts Receivable (Net)	858,297	1,045,885	901,143	1,241,317	1,046,169
3 Current Deferred Income Taxes	11,511	9,303	7,284	5,194	3,473
4 Other Current Assets	146,520	134,416	117,365	115,000	116,654
5 Total Current Assets	2,188,324	2,670,990	2,281,239	2,243,392	2,801,076
<b>NON-CURRENT ASSETS</b>					
6 Investments				311,978	1,048,370
7 Unamortized Debt Issuance Costs	2,118	3,234	4,350	5,466	6,582
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	9,242	10,358	11,474	324,568	1,062,076
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	12,223,945	11,437,974	10,591,220	10,277,362	10,059,119
14 Less: Accumulated Depr and Amort.	5,742,660	5,167,483	4,657,086	4,200,159	3,763,279
15 Net Regulated Plant	6,481,285	6,270,491	5,934,134	6,077,203	6,295,840
16 Total Assets & Other Debits	\$8,678,851	\$8,951,839	\$8,226,847	\$8,645,163	\$10,158,992
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$149,589	\$462,842	\$161,690	\$425,782	\$579,875
18 Notes Payable				100,000	850,000
19 Advanced Billings	95,434	88,282	79,317	73,421	71,075
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	138,008	131,790	166,647	160,436	154,250
22 Current Deferred Income Taxes					
23 Other Current Liabilities	159,417	314,177	194,256	181,182	100,974
24 Total Current Liabilities	542,448	997,091	601,910	940,821	1,756,174
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,773,292	3,911,304	4,002,301	4,156,030	4,316,442
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	4,973	8,098	12,161	16,847	22,734
27 Non-Current Deferred Taxes	1,052,142	993,740	942,902	1,041,896	1,169,745
28 Other Deferred Credits	32,603	26,294	20,526	15,278	85,681
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	1,089,718	1,028,132	975,589	1,074,021	1,278,160
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	243,000	243,000	243,000	243,000	243,000
33 Preferred Stock					
34 Other Paid in Capital	21,000	21,000	21,000	21,000	21,000
35 Retained Earnings	3,009,393	2,751,312	2,383,047	2,210,291	2,544,216
36 Total Stockholder's Equity	3,273,393	3,015,312	2,647,047	2,474,291	2,808,216
37 Total Liab. and Stockholder's Equity	\$8,678,851	\$8,951,839	\$8,226,847	\$8,645,163	\$10,158,992

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$837,798	\$830,485	\$813,351	\$799,867	\$764,025	1
Network Access Services	2,911,006	3,004,379	2,973,878	2,680,153	2,692,239	2
Long Distance Network Services	90,113	93,254	75,299	56,993	24,332	3
Miscellaneous Revenues	392,475	323,422	243,119	274,388	302,567	4
Less: Uncollectible Revenues	47,955	52,407	106,456	12,639	11,873	5
<b>Total Operating Revenues</b>	<b>4,183,437</b>	<b>4,199,133</b>	<b>3,999,191</b>	<b>3,798,762</b>	<b>3,771,290</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses						7
General Support Expenses	92,372	73,308	88,638	84,208	78,619	8
Central Office Switching	262,501	241,799	222,327	204,795	191,424	9
Operator Systems Expense						10
Central Office Transmission	40,817	13,022	35,719	29,015	22,055	11
Info. Origination/Termination	133,517	44,128	18,916	46,918	36,744	12
Cable & Wire Facilities	431,723	344,315	382,674	363,684	353,954	13
<b>Total Plant Specific Operations</b>	<b>960,930</b>	<b>716,572</b>	<b>748,274</b>	<b>728,620</b>	<b>682,796</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	344,729	316,489	287,521	309,868	286,591	16
Access Expense	19,144	12,269	9,468		10,466	17
Depreciation and Amortization	621,521	671,216	666,421	642,552	624,828	18
<b>Total Plant Non-Specific Operations</b>	<b>985,394</b>	<b>999,974</b>	<b>963,410</b>	<b>952,420</b>	<b>921,885</b>	<b>19</b>
Marketing Expense	12,079	30,427	23,699	3,315	2,811	20
Services Expense	277,638	266,555	288,510	273,876	318,073	21
<b>Total Customer Operations</b>	<b>289,717</b>	<b>296,982</b>	<b>312,209</b>	<b>277,191</b>	<b>320,884</b>	<b>22</b>
Executive & Planning	361,289	357,724	272,314	262,806	259,840	23
General & Administrative	851,575	853,778	775,972	698,894	590,857	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,212,864</b>	<b>1,211,502</b>	<b>1,048,286</b>	<b>961,700</b>	<b>850,697</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,448,905</b>	<b>3,225,030</b>	<b>3,072,179</b>	<b>2,919,931</b>	<b>2,776,262</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	261,802	246,736	199,885	273,583	222,383	31
<b>Net Operating Income Before FIT</b>	<b>472,730</b>	<b>727,367</b>	<b>727,127</b>	<b>605,248</b>	<b>772,645</b>	<b>32</b>
Investment Tax Credits - Net	3,125	4,063	4,686	5,887	6,459	33
Federal Income Taxes	(14,678)	137,750	162,857	124,815	91,484	34
Provision - Def. Operating Income Taxes - Net	56,194	(29,462)	9,358	52,699	91,018	35
<b>Net Operating Income</b>	<b>\$434,339</b>	<b>\$623,142</b>	<b>\$559,598</b>	<b>\$433,621</b>	<b>\$596,602</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$434,339	\$623,142	\$559,598	\$433,621	\$596,602
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					1,023
39 Interest Income	9,148	21,383	32,244	54,578	73,766
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	12,778	8,975	4,762	3,429	3,971
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	2,000		(195,739)		
45 Special Charges	1,080	810	665	100,361	1,048
46 Total Non-Operating Income & Expenses	22,846	29,548	(159,398)	(42,354)	77,712
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	322	79,686	(67,242)	(70,200)	25,075
48 Other					
49 Total Non-Operating Taxes	322	79,686	(67,242)	(70,200)	25,075
50 Income Available Before Interest Charges	456,863	573,004	467,442	461,467	649,239
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	197,667	203,624	209,475	215,631	221,453
52 Other Interest Expense	1,116	1,116	1,116	1,116	1,116
53 Total Interest Charges	198,783	204,740	210,591	216,747	222,569
54 Income Before Extraordinary & Nonreg Items	258,080	368,264	256,851	244,720	426,670
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$258,080</b>	<b>\$368,264</b>	<b>\$256,851</b>	<b>\$244,720</b>	<b>\$426,670</b>
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<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$2,751,311	\$2,383,047	\$2,210,291	\$2,544,216	\$2,505,138
60 Transferred from Income	258,080	368,264	256,851	244,720	426,670
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock				100,000	850,000
64 Adjustments			(84,095)	(478,645)	462,408
65 Ending Year Balance	3,009,391	2,751,311	2,383,047	2,210,291	2,544,216
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	<b>\$3,009,391</b>	<b>\$2,751,311</b>	<b>\$2,383,047</b>	<b>\$2,210,291</b>	<b>\$2,544,216</b>

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,952,416	\$1,240,431	\$655,614	\$629,345	\$736,176
2 Accounts Receivable (Net)	577,255	947,447	902,721	1,043,842	1,201,706
3 Current Deferred Income Taxes					
4 Other Current Assets	313,243	306,333	325,681	353,704	316,226
5 Total Current Assets	2,842,914	2,494,211	1,884,016	2,026,891	2,254,108
<b>NON-CURRENT ASSETS</b>					
6 Investments	4,740,351	4,400,832	4,291,536	4,197,966	3,894,114
7 Unamortized Debt Issuance Costs	34,586	38,071	41,557	50,340	51,034
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	598,946	576,286			42,643
11 Other Non-Current Assets	175,765	568,665	571,162	848,694	807,014
12 Total Non-Current Assets	5,549,648	5,583,854	4,904,255	5,097,000	4,794,805
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	14,209,490	13,651,563	13,538,518	13,106,536	12,281,448
14 Less: Accumulated Depr and Amort.	6,633,384	5,883,149	5,291,290	4,650,896	4,012,549
15 Net Regulated Plant	7,576,106	7,768,414	8,247,228	8,455,640	8,268,899
16 Total Assets & Other Debits	\$15,968,668	\$15,846,479	\$15,035,499	\$15,579,531	\$15,317,812
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$483,786	\$541,108	\$710,190	\$798,205	\$952,091
18 Notes Payable				175,776	249,586
19 Advanced Billings	3,870	11,166	4,935	21,918	20,934
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	1,311,780	1,200,292	805,783	533,143	382,964
24 Total Current Liabilities	1,799,436	1,752,566	1,520,908	1,529,042	1,605,575
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,058,186	3,311,587	3,548,616	3,770,621	3,914,437
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	1,031,872	933,543	458,946	486,809	334,812
28 Other Deferred Credits	369,588	402,127	227,769	260,308	292,847
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	203,512	164,505		302,612	302,612
31 Total Other Liab. and Def. Credits	1,604,972	1,500,175	686,715	1,049,729	930,271
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	81,160	81,160	81,160	81,160	81,160
33 Preferred Stock				106,800	106,800
34 Other Paid in Capital	(38,681)	(65,178)	(39,110)	(19,028)	
35 Retained Earnings	9,463,595	9,266,169	9,237,210	9,061,207	8,679,569
36 Total Stockholder's Equity	9,506,074	9,282,151	9,279,260	9,230,139	8,867,529
37 Total Liab. and Stockholder's Equity	\$15,968,668	\$15,846,479	\$15,035,499	\$15,579,531	\$15,317,812

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,392,146	\$1,386,528	\$1,452,032	\$1,506,470	\$1,507,174	1
Network Access Services	2,501,935	2,729,114	2,827,926	2,927,108	2,883,062	2
Long Distance Network Services	(433)	(549)	(967)	13,238	(35,445)	3
Miscellaneous Revenues	520,138	539,673	559,817	598,320	663,709	4
Less: Uncollectible Revenues	16,200	22,200	24,696	51,007	9,600	5
<b>Total Operating Revenues</b>	<b>4,397,586</b>	<b>4,632,566</b>	<b>4,814,112</b>	<b>4,994,129</b>	<b>5,008,900</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	18,609	13,362	15,123	16,091	28,334	7
General Support Expenses	392,397	294,616	281,196	294,714	324,891	8
Central Office Switching	189,800	211,332	296,114	240,969	259,031	9
Operator Systems Expense						10
Central Office Transmission	73,983	63,112	48,942	41,355	65,785	11
Info. Origination/Termination	38,643	40,178	30,105	31,637	104,327	12
Cable & Wire Facilities	352,534	412,386	448,670	350,025	270,195	13
<b>Total Plant Specific Operations</b>	<b>1,065,966</b>	<b>1,034,986</b>	<b>1,120,150</b>	<b>974,791</b>	<b>1,052,563</b>	<b>14</b>
Other Plant, Property & Equipment	2,474	3,260	3,228	3,612	3,756	15
Network Operations	25,432	36,495	76,262	60,128	71,018	16
Access Expense						17
Depreciation and Amortization	864,102	856,523	829,287	807,827	793,667	18
<b>Total Plant Non-Specific Operations</b>	<b>892,008</b>	<b>896,278</b>	<b>908,777</b>	<b>871,567</b>	<b>868,441</b>	<b>19</b>
Marketing Expense	74,802	66,060	49,088	55,903	94,904	20
Services Expense	524,334	573,844	755,414	596,264	566,068	21
<b>Total Customer Operations</b>	<b>599,136</b>	<b>639,904</b>	<b>804,502</b>	<b>652,167</b>	<b>660,972</b>	<b>22</b>
Executive & Planning	457,611	530,927	552,283	493,778	550,665	23
General & Administrative	823,477	725,604	860,109	785,223	638,224	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,281,088</b>	<b>1,256,531</b>	<b>1,412,392</b>	<b>1,279,001</b>	<b>1,188,889</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,838,198</b>	<b>3,827,699</b>	<b>4,245,821</b>	<b>3,777,526</b>	<b>3,770,865</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	234,104	220,518	213,741	232,388	262,722	31
<b>Net Operating Income Before FIT</b>	<b>325,284</b>	<b>584,349</b>	<b>354,550</b>	<b>984,215</b>	<b>975,313</b>	<b>32</b>
Investment Tax Credits - Net					16,761	33
Federal Income Taxes	(4,240)	102,974	4,826	140,783	92,679	34
Provision - Def. Operating Income Taxes - Net	29,480	(27,766)	(50,057)	171,903	232,850	35
<b>Net Operating Income</b>	<b>\$300,044</b>	<b>\$509,141</b>	<b>\$399,781</b>	<b>\$671,529</b>	<b>\$666,545</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$300,044	\$509,141	\$399,781	\$671,529	\$666,545
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	62,062	59,342	62,059	41,666	
39 Interest Income	15,685	7,929	11,967	16,397	3,818
40 Income - Sinking and Other Funds					38,558
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property			(12,432)		
43 Equity in Earnings of Affiliated Companies	274,868	154,260	168,516	8,590	1,883,128
44 Other Non-Operating Income			(15,698)	4,103	(2,559)
45 Special Charges	46,694	41,802	8,597	485	(201,693)
46 Total Non-Operating Income & Expenses	305,921	179,729	205,815	70,271	2,124,638
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	8,224	5,292	3,502		10,081
48 Other					
49 Total Non-Operating Taxes	8,224	5,292	3,502		10,081
50 Income Available Before Interest Charges	597,741	683,578	602,094	741,800	2,781,102
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	242,218	260,542	278,133	290,745	251,932
52 Other Interest Expense	3,575	9,769	21,238	17,156	27,304
53 Total Interest Charges	245,793	270,311	299,371	307,901	279,236
54 Income Before Extraordinary & Nonreg Items	351,948	413,267	302,723	433,899	2,501,866
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$351,948	\$413,267	\$302,723	\$433,899	\$2,501,866
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$6,815,975	\$6,941,276	\$6,933,789	\$6,560,741	\$6,073,067
60 Transferred from Income	77,080	259,007	134,207	425,309	618,738
61 Appropriations					
Dividends Declared:					
62 Preferred Stock				6,408	6,648
63 Common Stock	154,522	158,976	126,720	124,416	124,416
64 Adjustments		(225,332)		78,563	
65 Ending Year Balance	6,738,533	6,815,975	6,941,276	6,933,789	6,560,741
66 Appropriated/Undistr Affiliate Retained Earnings	2,725,062	2,450,194	2,295,934	2,127,418	2,118,828
67 <b>Total Retained Earnings</b>	\$9,463,595	\$9,266,169	\$9,237,210	\$9,061,207	\$8,679,569

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,323	\$55,697	\$58,245	\$28,535	\$162,504
2 Accounts Receivable (Net)	189,922	156,130	150,941	178,029	185,103
3 Current Deferred Income Taxes	2,016	1,579	1,183	861	543
4 Other Current Assets	4,788	53,179	50,749	107,986	110,854
5 Total Current Assets	198,049	266,585	261,118	315,411	459,004
<b>NON-CURRENT ASSETS</b>					
6 Investments	264,394	160,257	217,085	99,758	38,703
7 Unamortized Debt Issuance Costs	1,102	1,303	1,503	1,703	1,904
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	19,290	(4,069)	(2,652)	(1,236)	181
11 Other Non-Current Assets					
12 Total Non-Current Assets	284,786	157,491	215,936	100,225	40,788
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	3,044,491	2,307,412	2,235,827	2,147,393	2,032,432
14 Less: Accumulated Depr and Amort.	1,490,623	1,379,774	1,277,684	1,189,057	1,107,168
15 Net Regulated Plant	1,553,868	927,638	958,143	958,336	925,264
16 Total Assets & Other Debits	\$2,036,703	\$1,351,714	\$1,435,197	\$1,373,972	\$1,425,056
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$527,653	\$71,907	\$77,169	\$76,861	\$68,902
18 Notes Payable	(270,000)	(340,000)	(249,000)	(150,000)	
19 Advanced Billings					
20 Customer Deposits	10,175	10,674	11,854	13,259	13,710
21 Current Maturities - Long-Term Debt	22,993	21,879	20,819	19,809	18,849
22 Current Deferred Income Taxes					
23 Other Current Liabilities	4,147	45,364	23,667	55,248	30,418
24 Total Current Liabilities	294,968	(190,176)	(115,491)	15,177	131,879
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	118,674	141,577	163,360	184,095	203,826
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	3,833	5,413	8,163	10,913	13,663
27 Non-Current Deferred Taxes	131,730	97,925	108,424	119,746	132,438
28 Other Deferred Credits	973	502	745	1,296	1,777
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	136,536	103,840	117,332	131,955	147,878
<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	1,458,725	1,268,673	1,242,196	1,014,945	913,673
36 Total Stockholder's Equity	1,486,525	1,296,473	1,269,996	1,042,745	941,473
37 Total Liab. and Stockholder's Equity	\$2,036,703	\$1,351,714	\$1,435,197	\$1,373,972	\$1,425,056

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

INCOME STATEMENT	2003	2002	2001	2000	1999	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$192,867	\$188,112	\$181,268	\$173,469	\$164,497	1
Network Access Services	657,905	607,674	612,707	581,060	628,461	2
Long Distance Network Services	5,464	3,839	3,792	4,016	4,912	3
Miscellaneous Revenues	121,156	121,147	124,925	134,589	140,578	4
Less: Uncollectible Revenues	2,463	6,457	6,021	(489)	(567)	5
<b>Total Operating Revenues</b>	<b>974,929</b>	<b>914,315</b>	<b>916,671</b>	<b>893,623</b>	<b>939,015</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	(326)	309	33,541	30	282	7
General Support Expenses	70,499	71,777	33,651	60,874	56,153	8
Central Office Switching	108,428	115,184	107,869	111,928	105,377	9
Operator Systems Expense						10
Central Office Transmission	55,160	41,285	32,419	29,040	28,283	11
Info. Origination/Termination						12
Cable & Wire Facilities	51,885	45,933	51,609	71,570	63,746	13
<b>Total Plant Specific Operations</b>	<b>285,646</b>	<b>274,488</b>	<b>259,089</b>	<b>273,442</b>	<b>253,841</b>	<b>14</b>
Other Plant, Property & Equipment	(3,952)	3,990	21,770	502	(6)	15
Network Operations	53,008	39,503	32,851	37,664	31,767	16
Access Expense						17
Depreciation and Amortization	115,739	110,260	104,292	98,733	96,379	18
<b>Total Plant Non-Specific Operations</b>	<b>164,795</b>	<b>153,753</b>	<b>158,913</b>	<b>136,899</b>	<b>128,140</b>	<b>19</b>
Marketing Expense	20,928	20,940	21,775	30,462	34,896	20
Services Expense	128,836	103,825	108,187	108,662	119,020	21
<b>Total Customer Operations</b>	<b>149,764</b>	<b>124,765</b>	<b>129,962</b>	<b>139,124</b>	<b>153,916</b>	<b>22</b>
Executive & Planning	166,762	136,401	132,546	148,098	134,396	23
General & Administrative	45,290	83,045	54,605	87,266	84,327	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>212,052</b>	<b>219,446</b>	<b>187,151</b>	<b>235,364</b>	<b>218,723</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>812,257</b>	<b>772,452</b>	<b>735,115</b>	<b>784,829</b>	<b>754,620</b>	<b>28</b>
Other Operating Income & Expenses					526	29
State & Local Income Taxes						30
Other Taxes	40,151	32,468	31,907	42,557	46,405	31
<b>Net Operating Income Before FIT</b>	<b>122,521</b>	<b>109,395</b>	<b>149,649</b>	<b>66,237</b>	<b>138,516</b>	<b>32</b>
Investment Tax Credits - Net		5,400				33
Federal Income Taxes	16,104	45,905	58,189	36,193	43,558	34
Provision - Def. Operating Income Taxes - Net	28,652	(8,245)	(8,994)	(10,360)	(4,922)	35
<b>Net Operating Income</b>	<b>\$77,765</b>	<b>\$77,135</b>	<b>\$100,454</b>	<b>\$40,404</b>	<b>\$99,880</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$77,765	\$77,135	\$100,454	\$40,404	\$99,880
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income				4,210	3,684
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	1,537				
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	104,137	(56,828)	117,327	61,055	16,983
44 Other Non-Operating Income					
45 Special Charges	116		35		
46 Total Non-Operating Income & Expenses	105,558	(56,828)	117,292	65,265	20,667
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes			(5,400)	(5,400)	(5,400)
48 Other					
49 Total Non-Operating Taxes			(5,400)	(5,400)	(5,400)
50 Income Available Before Interest Charges	183,323	20,307	223,146	111,069	125,947
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	7,587	8,631	9,691	10,613	11,548
52 Other Interest Expense	(14,316)	(14,801)	(13,796)	(816)	710
53 Total Interest Charges	(6,729)	(6,170)	(4,105)	9,797	12,258
54 Income Before Extraordinary & Nonreg Items	190,052	26,477	227,251	101,272	113,689
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$190,052</b>	<b>\$26,477</b>	<b>\$227,251</b>	<b>\$101,272</b>	<b>\$113,689</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,178,416	\$1,095,111	\$985,187	\$944,970	\$896,914
60 Transferred from Income	85,915	83,305	109,924	40,217	96,706
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					48,650
64 Adjustments					
65 Ending Year Balance	1,264,331	1,178,416	1,095,111	985,187	944,970
66 Appropriated/Undistr Affiliate Retained Earnings	194,394	90,257	147,085	29,758	(31,297)
67 <b>Total Retained Earnings</b>	<b>\$1,458,725</b>	<b>\$1,268,673</b>	<b>\$1,242,196</b>	<b>\$1,014,945</b>	<b>\$913,673</b>

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$275,263	\$447,004	\$285,532	\$268,720	\$2,373,533
2 Accounts Receivable (Net)	757,240	1,603,187	961,702	1,514,266	2,188,759
3 Current Deferred Income Taxes	13,641	11,378	9,311	7,389	4,613
4 Other Current Assets	297,874	288,741	304,776	485,188	308,548
5 Total Current Assets	1,344,018	2,350,310	1,561,321	2,275,563	4,875,453
<b>NON-CURRENT ASSETS</b>					
6 Investments	231,027	156,834	1,358,183	2,324,901	121,066
7 Unamortized Debt Issuance Costs	17,023	18,471	19,920	21,369	22,818
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	973,742	14,098	20,392	27,306	26,652
11 Other Non-Current Assets					
12 Total Non-Current Assets	1,221,792	189,403	1,398,495	2,373,576	170,536
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	11,925,921	11,638,045	13,686,469	12,684,688	12,289,079
14 Less: Accumulated Depr and Amort.	5,857,919	5,526,725	7,801,735	7,207,534	6,797,619
15 Net Regulated Plant	6,068,002	6,111,320	5,884,734	5,477,154	5,491,460
16 Total Assets & Other Debits	\$8,633,812	\$8,651,033	\$8,844,550	\$10,126,293	\$10,537,449
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$556,060	\$524,105	\$600,118	\$988,200	\$1,310,420
18 Notes Payable		530,000	530,000	1,080,000	1,980,000
19 Advanced Billings	(271)			16,000	69,000
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	108,887	108,887	108,887	103,609	89,230
22 Current Deferred Income Taxes					
23 Other Current Liabilities	583,120	54,425	124,801	(170,594)	101,321
24 Total Current Liabilities	1,247,796	1,217,417	1,363,806	2,017,215	3,549,971
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,775,530	1,889,975	1,998,898	2,107,761	2,220,719
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	15,168	27,368	39,584	53,007	73,177
27 Non-Current Deferred Taxes	740,127	688,981	514,852	508,687	544,072
28 Other Deferred Credits	2,405,073	2,493,733	847,671	849,039	51,267
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	267,728				
31 Total Other Liab. and Def. Credits	3,428,096	3,210,082	1,402,107	1,410,733	668,516
<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	1,833,540	1,984,709	3,730,889	4,241,734	3,749,393
36 Total Stockholder's Equity	2,182,390	2,333,559	4,079,739	4,590,584	4,098,243
37 Total Liab. and Stockholder's Equity	\$8,633,812	\$8,651,033	\$8,844,550	\$10,126,293	\$10,537,449

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,476,143	\$1,477,958	\$1,468,142	\$1,365,924	\$1,303,178	1
Network Access Services 1	3,906,294	4,640,838	4,930,796	5,211,476	5,758,307	2
Long Distance Network Services					(146)	3
Miscellaneous Revenues	240,597	324,661	412,074	338,581	416,552	4
Less: Uncollectible Revenues	1,760	9,567	6,030	11,752	18,921	5
Total Operating Revenues	5,621,274	6,433,890	6,804,982	6,904,229	7,458,970	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	6,981	14,021	77,880	66,216	11,158	7
General Support Expenses	563,272	546,043	581,699	556,448	856,133	8
Central Office Switching	311,941	423,256	645,161	1,382,568	1,358,801	9
Operator Systems Expense						10
Central Office Transmission	119,844	123,258	149,015	167,549	196,352	11
Info. Origination/Termination						12
Cable & Wire Facilities	346,956	347,405	390,481	421,281	330,704	13
Total Plant Specific Operations	1,348,994	1,453,983	1,844,236	2,594,062	2,753,148	14
Other Plant, Property & Equipment	56				2,650	15
Network Operations	371,982	382,806	346,748	301,927	395,859	16
Access Expense	38,657	26,488	19,224	15,382	17,635	17
Depreciation and Amortization	588,149	636,556	643,087	515,967	491,154	18
Total Plant Non-Specific Operations	998,844	1,045,850	1,009,059	833,276	907,298	19
Marketing Expense	98,276	162,041	182,641	220,048	397,339	20
Services Expense	323,083	294,784	323,145	377,292	434,260	21
Total Customer Operations	421,359	456,825	505,786	597,340	831,599	22
Executive & Planning	610,203	1,283,470	1,031,984	1,037,238	830,353	23
General & Administrative	967,051	1,190,967	1,168,550	998,626	1,160,396	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	1,577,254	2,474,437	2,200,534	2,035,864	1,990,749	27
Total Operations Expense	4,346,451	5,431,095	5,559,615	6,060,542	6,482,794	28
Other Operating Income & Expenses	10		(494)		(61)	29
State & Local Income Taxes						30
Other Taxes	202,943	239,645	297,088	287,115	329,185	31
<b>Net Operating Income Before FIT</b>	<b>1,071,890</b>	<b>763,150</b>	<b>947,785</b>	<b>556,572</b>	<b>646,930</b>	<b>32</b>
Investment Tax Credits - Net	12,200	12,216	13,423	20,170	21,440	33
Federal Income Taxes 1	843,655	(136,095)	262,498	327,736	418,895	34
Provision - Def. Operating Income Taxes - Net	(844,366)	135,702	4,243	(49,207)	(239,591)	35
<b>Net Operating Income</b>	<b>\$1,084,801</b>	<b>\$775,759</b>	<b>\$694,467</b>	<b>\$298,213</b>	<b>\$489,066</b>	<b>36</b>

1 Restated in 2001

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

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
37 <b>Net Operating Income</b>	\$1,084,801	\$775,759	\$694,467	\$298,213	\$489,066
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					119,385
39 Interest Income	3,898	1,716	34,918	64,356	
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					8,033
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	74,193	(1,201,350)	625,062	923,447	(77,012)
44 Other Non-Operating Income	30,500	15,000	15,100	15,000	(5,457)
45 Special Charges	1,119,458	38,239	21,316	30,466	18,428
46 Total Non-Operating Income & Expenses	(1,010,867)	(1,222,873)	653,764	972,337	26,521
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	1,828	(7,318)	9,759	(229,095)	(146,745)
48 Other					
49 Total Non-Operating Taxes	1,828	(7,318)	9,759	(229,095)	(146,745)
50 Income Available Before Interest Charges	72,106	(439,796)	1,338,472	1,499,645	662,332
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	95,387	101,599	106,938	112,268	117,245
52 Other Interest Expense	58,976	165,984	68,467	107,250	132,595
53 Total Interest Charges	154,363	267,583	175,405	219,518	249,840
54 Income Before Extraordinary & Nonreg Items	(82,257)	(707,379)	1,163,067	1,280,127	412,492
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					(314,986)
56 Nonregulated Revenues				(722,699)	
57 Total Extraordinary & Nonregulated Items				(722,699)	(314,986)
58 <b>Net Income</b>	(\$82,257)	(\$707,379)	\$1,163,067	\$557,428	\$97,506
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$2,498,876	\$2,073,817	\$3,209,724	\$3,644,655	\$3,539,049
60 Transferred from Income	(156,450)	493,971	538,005	(366,019)	174,518
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	9,024	9,024	9,024	9,024	9,024
63 Common Stock	59,888	59,888	1,664,888	59,888	59,888
64 Adjustments					
65 Ending Year Balance	2,273,514	2,498,876	2,073,817	3,209,724	3,644,655
66 Appropriated/Undistr Affiliate Retained Earnings	(439,974)	(514,167)	1,657,072	1,032,010	108,512
67 <b>Total Retained Earnings</b>	\$1,833,540	\$1,984,709	\$3,730,889	\$4,241,734	\$3,753,167

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$18,859	\$17,090	\$17,600	\$257,781	\$191,134
2 Accounts Receivable (Net)	2,454,170	2,456,400	2,535,414	7,128,689	1,803,790
3 Current Deferred Income Taxes	10,916				
4 Other Current Assets	505,089	503,554	681,519	516,982	519,294
5 Total Current Assets	2,989,034	2,977,044	3,234,533	7,903,451	2,514,218
<b>NON-CURRENT ASSETS</b>					
6 Investments	542,497	358,403	293,922	198,982	713,697
7 Unamortized Debt Issuance Costs					
8 Deferred Charges				9,921	9,921
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	32,942				
11 Other Non-Current Assets					
12 Total Non-Current Assets	575,439	358,403	293,922	208,903	723,618
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	28,997,636	28,858,977	28,997,315	28,006,900	26,455,941
14 Less: Accumulated Depr and Amort.	13,743,722	12,403,580	11,384,806	10,245,399	10,532,142
15 Net Regulated Plant	15,253,913	16,455,396	17,612,509	17,761,501	15,923,799
16 Total Assets & Other Debits	\$18,818,387	\$19,790,843	\$21,140,964	\$25,873,855	\$19,161,636
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$1,763,448	\$1,868,995	\$1,803,088	\$7,805,101	\$1,748,958
18 Notes Payable	407,000	426,500	464,000	534,500	751,500
19 Advanced Billings	30,064	2,273	297		40,000
20 Customer Deposits	52,826	47,944	47,558	46,163	44,217
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	307,328	370,262	196,903	351,553	104,824
24 Total Current Liabilities	2,560,666	2,715,974	2,511,847	8,737,317	2,689,499
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt					
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			15,673	46,909	78,553
27 Non-Current Deferred Taxes	2,298,222	2,354,992	2,440,333	2,479,994	2,540,833
28 Other Deferred Credits		269	632	1,501	(18,781)
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	2,298,222	2,355,261	2,456,639	2,528,404	2,600,605
<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	3,337,500	3,337,500
35 Retained Earnings	9,261,679	10,021,788	11,474,659	10,495,314	9,758,712
36 Total Stockholder's Equity	13,959,499	14,719,608	16,172,479	14,608,134	13,871,532
37 Total Liab. and Stockholder's Equity	\$18,818,386	\$19,790,843	\$21,140,964	\$25,873,855	\$19,161,636

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

INCOME STATEMENT	2003	2002	2001	2000	1999	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$2,095,886	\$2,115,604	\$2,160,241	\$2,192,548	\$2,002,237	1
Network Access Services	5,685,865	5,626,280	6,184,113	5,958,351	5,398,338	2
Long Distance Network Services	181,047	182,902	195,021	266,762	206,950	3
Miscellaneous Revenues	456,740	1,047,120	1,111,919	1,050,386	1,217,211	4
Less: Uncollectible Revenues	6,654	31,682	75,022	55,013	22,947	5
Total Operating Revenues	8,412,884	8,940,224	9,576,272	9,413,034	8,801,789	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses		4,980	10,650	11,395	9,771	7
General Support Expenses	306,318	186,734	303,874	485,750	561,293	8
Central Office Switching	637,082	842,689	856,610	854,979	684,491	9
Operator Systems Expense						10
Central Office Transmission	32,277	27,391	38,448	24,216	29,377	11
Info. Origination/Termination		44,928	65,453	138,033	134,396	12
Cable & Wire Facilities	550,899	469,701	494,657	466,819	342,644	13
Total Plant Specific Operations	1,526,576	1,576,423	1,769,692	1,981,192	1,761,972	14
Other Plant, Property & Equipment						15
Network Operations	308,917	337,710	394,665	420,544	380,893	16
Access Expense	128,154	75,265	46,332	33,433	34,564	17
Depreciation and Amortization	1,794,101	1,798,527	1,739,753	1,463,406	1,341,501	18
Total Plant Non-Specific Operations	2,231,172	2,211,502	2,180,750	1,917,383	1,756,958	19
Marketing Expense	489,336	528,874	548,284	485,540	295,145	20
Services Expense	588,354	592,125	698,465	602,113	652,513	21
Total Customer Operations	1,077,690	1,120,999	1,246,749	1,087,653	947,658	22
Executive & Planning	360,008	548,545	767,497	770,968	780,086	23
General & Administrative	1,355,227	1,363,285	1,517,425	1,340,873	1,353,390	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	1,715,235	1,911,830	2,284,922	2,111,841	2,133,476	27
Total Operations Expense	6,550,673	6,820,754	7,482,113	7,098,069	6,600,064	28
Other Operating Income & Expenses	12,033					29
State & Local Income Taxes						30
Other Taxes	496,642	374,847	606,948	455,824	614,262	31
<b>Net Operating Income Before FIT</b>	<b>1,377,602</b>	<b>1,744,623</b>	<b>1,487,211</b>	<b>1,859,141</b>	<b>1,587,463</b>	<b>32</b>
Investment Tax Credits - Net		15,673	31,236	31,644	32,700	33
Federal Income Taxes	546,224	665,653	475,216	608,959	523,028	34
Provision - Def. Operating Income Taxes - Net	(80,652)	(75,055)	15,490	(5,687)	(75,344)	35
<b>Net Operating Income</b>	<b>\$912,030</b>	<b>\$1,169,698</b>	<b>\$1,027,741</b>	<b>\$1,287,513</b>	<b>\$1,172,479</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$912,030	\$1,169,698	\$1,027,741	\$1,287,513	\$1,172,479
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	91	134	359	7,719	16,690
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	298,094	192,211	83,698	28,290	95,610
44 Other Non-Operating Income	11,565	13,877	(133,248)	(36,546)	(20,332)
45 Special Charges	18,414	27,731	39,176	41,377	36,832
46 Total Non-Operating Income & Expenses	291,336	178,491	(88,367)	(41,914)	55,136
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(6,800)	(13,614)	(70,203)	(15,585)	
48 Other					
49 Total Non-Operating Taxes	(6,800)	(13,614)	(70,203)	(15,585)	
50 Income Available Before Interest Charges	1,210,166	1,361,803	1,009,576	1,261,184	1,227,615
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	25,275	27,675	30,232	37,582	42,872
53 Total Interest Charges	25,275	27,675	30,232	37,582	42,872
54 Income Before Extraordinary & Nonreg Items	1,184,891	1,334,129	979,345	1,223,602	1,184,743
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$1,184,891</b>	<b>\$1,334,129</b>	<b>\$979,345</b>	<b>\$1,223,602</b>	<b>\$1,184,743</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$13,610,979	\$12,469,062	\$11,573,414	\$10,378,102	\$8,242,320
60 Transferred from Income	886,797	1,141,917	895,647	1,195,312	1,089,133
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments					1,046,649
65 Ending Year Balance	14,497,776	13,610,979	12,469,062	11,573,414	10,378,102
66 Appropriated/Undistr Affiliate Retained Earnings	(5,236,096)	(3,589,191)	(994,402)	(1,078,100)	(619,390)
67 <b>Total Retained Earnings</b>	<b>\$9,261,680</b>	<b>\$10,021,788</b>	<b>\$11,474,659</b>	<b>\$10,495,314</b>	<b>\$9,758,712</b>

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$69,328	\$256,839	\$128,078	\$157,920	\$443,589
2 Accounts Receivable (Net)	2,418,214	1,282,096	1,223,871	1,289,049	1,387,447
3 Current Deferred Income Taxes	3,961	3,392	2,545	1,862	1,265
4 Other Current Assets	364,309	309,199	250,270	262,694	305,865
5 Total Current Assets	2,855,812	1,851,526	1,604,764	1,711,525	2,138,166
<b>NON-CURRENT ASSETS</b>					
6 Investments	2,507,559	3,107,886	2,753,310	3,345,462	3,532,751
7 Unamortized Debt Issuance Costs	3,404	3,969	4,534	5,099	5,664
8 Deferred Charges	77,345	8,786	8,786	152,063	152,063
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	148,950	1,524	3,972	6,458	10,479
11 Other Non-Current Assets	782,967	848,238	560,854	492,704	381,389
12 Total Non-Current Assets	3,520,225	3,970,403	3,331,456	4,001,786	4,082,346
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	12,739,437	12,680,087	12,185,835	11,554,848	10,940,769
14 Less: Accumulated Depr and Amort.	6,509,066	6,107,882	5,596,400	5,039,374	4,516,709
15 Net Regulated Plant	6,230,371	6,572,205	6,589,435	6,515,474	6,424,060
16 Total Assets & Other Debits	\$12,606,408	\$12,394,134	\$11,525,655	\$12,228,785	\$12,644,572
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$466,208	\$714,475	\$904,242	\$236,505	\$344,483
18 Notes Payable	409,817			300,000	
19 Advanced Billings	16,717	21,273	15,825	13,614	9,715
20 Customer Deposits	3,981	4,001	4,273	4,222	3,205
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	155,447	41,716	(341,846)	(43,952)	585,140
24 Total Current Liabilities	1,052,170	781,465	582,494	510,389	942,543
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,667,972	1,923,396	2,037,718	2,272,916	2,522,970
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		4,483	11,683	18,994	30,820
27 Non-Current Deferred Taxes	1,177,348	1,202,071	1,074,797	1,077,063	1,076,940
28 Other Deferred Credits	429,455	185,366	38,106	43,543	45,808
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	207,000				
31 Total Other Liab. and Def. Credits	1,813,803	1,391,920	1,124,586	1,139,600	1,153,568
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	62,100	62,100	62,100	62,100	62,100
33 Preferred Stock	130,000	130,000	130,000	130,000	130,000
34 Other Paid in Capital	(3,778)	196,719	(9,625)		
35 Retained Earnings	7,884,141	7,908,534	7,598,382	8,113,779	7,833,390
36 Total Stockholder's Equity	8,072,463	8,297,353	7,780,857	8,305,879	8,025,490
37 Total Liab. and Stockholder's Equity	\$12,606,408	\$12,394,134	\$11,525,655	\$12,228,784	\$12,644,571

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$991,966	\$957,459	\$1,192,291	\$1,298,107	\$1,297,792	1
Network Access Services	2,110,610	2,338,926	2,055,493	2,322,989	2,220,851	2
Long Distance Network Services	72,110	79,095	79,570	65,891	61,043	3
Miscellaneous Revenues	350,978	291,862	353,993	358,827	392,530	4
Less: Uncollectible Revenues	4,800	4,800	4,800	4,800	4,800	5
<b>Total Operating Revenues</b>	<b>3,520,864</b>	<b>3,662,542</b>	<b>3,676,547</b>	<b>4,041,014</b>	<b>3,967,416</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	12,751	12,024	13,570	15,783	12,942	7
General Support Expenses	154,573	171,230	204,870	213,251	160,465	8
Central Office Switching	204,065	206,964	213,034	196,612	224,416	9
Operator Systems Expense						10
Central Office Transmission	7,895	10,440	5,319	4,967	6,661	11
Info. Origination/Termination	304	3,085	4,233	8,022	1,955	12
Cable & Wire Facilities	276,529	252,825	221,154	73,067	255,627	13
<b>Total Plant Specific Operations</b>	<b>656,117</b>	<b>656,568</b>	<b>662,180</b>	<b>511,702</b>	<b>662,066</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	33,119	55,196	104,177	92,419	102,750	16
Access Expense	26,237	3,711	25,716	194	12,556	17
Depreciation and Amortization	663,274	771,946	733,901	689,782	625,663	18
<b>Total Plant Non-Specific Operations</b>	<b>722,630</b>	<b>830,853</b>	<b>863,794</b>	<b>782,395</b>	<b>740,969</b>	<b>19</b>
Marketing Expense	112,775	115,121	76,785	49,733	36,799	20
Services Expense	440,038	529,608	483,583	471,792	378,360	21
<b>Total Customer Operations</b>	<b>552,813</b>	<b>644,729</b>	<b>560,368</b>	<b>521,525</b>	<b>415,159</b>	<b>22</b>
Executive & Planning	521,314	564,293	632,241	637,889	578,888	23
General & Administrative	537,652	558,619	523,712	577,783	554,533	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,058,966</b>	<b>1,122,912</b>	<b>1,155,953</b>	<b>1,215,672</b>	<b>1,133,421</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,990,526</b>	<b>3,255,062</b>	<b>3,242,295</b>	<b>3,031,294</b>	<b>2,951,615</b>	<b>28</b>
Other Operating Income & Expenses	69	84	115	207	191	29
State & Local Income Taxes						30
Other Taxes	173,356	163,534	159,921	166,818	187,541	31
<b>Net Operating Income Before FIT</b>	<b>357,051</b>	<b>244,030</b>	<b>274,446</b>	<b>843,109</b>	<b>828,451</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	(31,575)	27,929	47,955	209,509	87,254	34
Provision - Def. Operating Income Taxes - Net	52,969	87,805	(2,949)	(474)	98,714	35
<b>Net Operating Income</b>	<b>\$335,657</b>	<b>\$128,296</b>	<b>\$229,440</b>	<b>\$634,074</b>	<b>\$642,483</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$335,657	\$128,296	\$229,440	\$634,074	\$642,483
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	31,451	25,605	20,519		3,309
39 Interest Income	1,054	1,322	961	983	913
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	(407,785)	214,353	(577,568)	(187,289)	3,411,646
44 Other Non-Operating Income	626,932	(178,373)	(6,140)	(2,746)	1,028
45 Special Charges	12,144	(176,869)	30,794	8,786	28,237
46 Total Non-Operating Income & Expenses	239,508	239,776	(593,022)	(197,838)	3,388,659
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	219,726	(78,852)	(5,030)	(17,725)	(15,689)
48 Other					
49 Total Non-Operating Taxes	219,726	(78,852)	(5,030)	(17,725)	(15,689)
50 Income Available Before Interest Charges	355,439	446,924	(358,552)	453,961	4,046,831
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	95,331	106,975	117,512	127,694	137,261
52 Other Interest Expense	28,653	23,298	32,833	39,378	42,912
53 Total Interest Charges	123,984	130,273	150,345	167,072	180,173
54 Income Before Extraordinary & Nonreg Items	231,455	316,651	(508,897)	286,889	3,866,658
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$231,455</b>	<b>\$316,651</b>	<b>(\$508,897)</b>	<b>\$286,889</b>	<b>\$3,866,658</b>

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**RETAINED EARNINGS STATEMENT**

Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$5,710,682	\$5,614,884	\$5,552,713	\$5,085,035	\$4,636,523
60 Transferred from Income	639,240	102,298	68,671	474,178	455,012
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	6,500	6,500	6,500	6,500	6,500
63 Common Stock					
64 Adjustments	(249,348)				
65 Ending Year Balance	6,094,074	5,710,682	5,614,884	5,552,713	5,085,035
66 Appropriated/Undistr Affiliate Retained Earnings	1,790,066	2,197,851	1,983,498	2,561,066	2,748,355
67 <b>Total Retained Earnings</b>	<b>\$7,884,140</b>	<b>\$7,908,533</b>	<b>\$7,598,382</b>	<b>\$8,113,779</b>	<b>\$7,833,390</b>

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	(\$52,855)	(\$711,338)	\$2,183	(\$4,991)	\$3,542
2 Accounts Receivable (Net)	821,143,006	39,481,120	37,535,677	35,722,788	41,378,890
3 Current Deferred Income Taxes					133,062
4 Other Current Assets	675,911	1,574,763	2,779,915	2,049,343	5,570,186
5 Total Current Assets	821,766,062	40,344,545	40,317,775	37,767,140	47,085,680
<b>NON-CURRENT ASSETS</b>					
6 Investments					
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	4,831,872	6,427,367	6,373,493	6,385,108	6,391,767
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets					
12 Total Non-Current Assets	4,831,872	6,427,367	6,373,493	6,385,108	6,391,767
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	1,000,242,144	981,085,071	946,234,850	907,110,474	858,687,121
14 Less: Accumulated Depr and Amort.	515,345,570	465,888,491	414,052,311	374,355,311	339,390,186
15 Net Regulated Plant	484,896,574	515,196,580	532,182,539	532,755,163	519,296,935
16 <b>Total Assets &amp; Other Debits</b>	<b>\$1,311,494,508</b>	<b>\$561,968,492</b>	<b>\$578,873,807</b>	<b>\$576,907,411</b>	<b>\$572,774,382</b>
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$923,032,500	\$5,190,099	\$8,237,701	\$10,722,282	\$10,771,381
18 Notes Payable					
19 Advanced Billings	5,024,485	4,754,689	4,467,770	4,211,914	3,992,972
20 Customer Deposits	(44,511)	(46,499)	(42,930)	21,591	22,232
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	618,520	(8,061,232)	1,089,826	3,131,692	2,496,073
24 Total Current Liabilities	928,630,994	1,837,057	13,752,367	18,087,479	17,282,658
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt		225,145,745	285,131,046	319,130,871	328,591,139
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	79,750,903	77,212,786	64,817,761	49,393,853	48,922,857
28 Other Deferred Credits	12,806,679	17,764,389	20,997,709	22,340,715	21,797,375
29 Other Jurisdictional Differences - Net					
30 Other Liabilities		5,397,193	5,378,442	10,178,280	13,702,286
31 Total Other Liab. and Def. Credits	92,557,582	100,374,368	91,193,912	81,912,848	84,422,518
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	1,000	1,000	997	997	997
33 Preferred Stock					
34 Other Paid in Capital					
35 Retained Earnings	290,304,932	234,610,322	188,795,485	157,775,216	142,477,070
36 Total Stockholder's Equity	290,305,932	234,611,322	188,796,482	157,776,213	142,478,067
37 <b>Total Liab. and Stockholder's Equity</b>	<b>\$1,311,494,508</b>	<b>\$561,968,492</b>	<b>\$578,873,807</b>	<b>\$576,907,411</b>	<b>\$572,774,382</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>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$80,443,958	\$77,948,089	\$75,960,892	\$77,241,175	\$79,575,041	1
Network Access Services	138,437,761	131,005,720	124,947,071	119,324,423	128,626,260	2
Long Distance Network Services	(999)	10,621	90,961	522,852	531,791	3
Miscellaneous Revenues	29,594,869	29,939,675	27,902,427	21,423,056	27,434,162	4
Less: Uncollectible Revenues	1,967,669	1,597,056	595,910	2,218,290	1,201,936	5
<b>Total Operating Revenues</b>	<b>246,507,920</b>	<b>237,307,049</b>	<b>228,305,441</b>	<b>216,293,216</b>	<b>234,965,318</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	470	1,133,302			31,416	7
General Support Expenses	11,155,493	13,968,177	13,601,310	12,327,133	13,165,138	8
Central Office Switching	4,839,597	4,335,376	4,251,094	6,198,873	4,888,121	9
Operator Systems Expense	899	2,099	1,457	1,198	1,201	10
Central Office Transmission	1,668,098	1,607,623	1,694,385	1,265,279	(210,684)	11
Info. Origination/Termination	5,842,247	5,104,073	5,886,439	5,704,762	8,470,777	12
Cable & Wire Facilities	11,805,819	12,031,355	10,955,407	13,713,277	12,422,874	13
<b>Total Plant Specific Operations</b>	<b>35,312,623</b>	<b>38,182,005</b>	<b>36,390,092</b>	<b>39,210,523</b>	<b>38,768,843</b>	<b>14</b>
Other Plant, Property & Equipment	2,793	54,590	147,853	180,920	62,006	15
Network Operations	14,446,949	13,274,399	16,735,353	14,264,056	11,865,700	16
Access Expense	3,457,017	1,482,093	5,222,143	2,772,823	1,267,386	17
Depreciation and Amortization	56,158,787	56,486,076	59,285,857	48,498,325	44,693,537	18
<b>Total Plant Non-Specific Operations</b>	<b>74,065,546</b>	<b>71,297,158</b>	<b>81,391,206</b>	<b>65,716,124</b>	<b>57,888,629</b>	<b>19</b>
Marketing Expense	3,696,715	3,547,724	4,218,889	5,559,229	6,004,601	20
Services Expense	11,037,933	12,062,535	10,675,809	15,234,679	15,448,308	21
<b>Total Customer Operations</b>	<b>14,734,648</b>	<b>15,610,259</b>	<b>14,894,698</b>	<b>20,793,908</b>	<b>21,452,909</b>	<b>22</b>
Executive & Planning	1,669,539	4,688,370	4,063,645	2,449,739	2,331,775	23
General & Administrative	14,424,362	18,274,458	26,565,485	31,905,589	34,047,984	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>16,093,901</b>	<b>22,962,828</b>	<b>30,629,130</b>	<b>34,355,328</b>	<b>36,379,759</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>140,206,718</b>	<b>148,052,250</b>	<b>163,305,126</b>	<b>160,075,882</b>	<b>154,490,140</b>	<b>28</b>
Other Operating Income & Expenses			1,076		(2,946)	29
State & Local Income Taxes	(39)					30
Other Taxes	13,514,307	13,662,432	11,710,813	15,505,682	14,800,575	31
<b>Net Operating Income Before FIT</b>	<b>92,786,934</b>	<b>75,592,367</b>	<b>53,290,578</b>	<b>40,711,652</b>	<b>65,671,657</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	22,084,772	12,349,061	14,806,992	14,139,802	17,602,308	34
Provision - Def. Operating Income Taxes - Net	10,390,642	12,263,628	3,890,237	470,968	5,362,317	35
<b>Net Operating Income</b>	<b>\$60,311,520</b>	<b>\$50,979,678</b>	<b>\$34,593,349</b>	<b>\$26,100,882</b>	<b>\$42,707,032</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$60,311,520	\$50,979,678	\$34,593,349	\$26,100,882	\$42,707,032
<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	563,015	896,566	917,046	820,640	847,437
42 Gains/Losses - Disposal of Property				(36,514)	
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	(5,849,773)	(5,849,773)	(4,371,106)	(3,596,068)	(3,595,389)
45 Special Charges	439,312	232,258		8,574,142	1,393,043
46 Total Non-Operating Income & Expenses	(5,726,070)	(5,185,465)	(3,454,060)	(11,386,084)	(4,140,995)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(2,262,804)	(89,858)	(1,701,644)	(3,964,455)	(1,876,529)
48 Other				1,258,782	
49 Total Non-Operating Taxes	(2,262,804)	(89,858)	(1,701,644)	(2,705,673)	(1,876,529)
50 Income Available Before Interest Charges	56,848,254	45,884,071	32,840,933	17,420,471	40,442,566
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	1,153,644	1,248,039	1,407,779	2,311,264	1,261,271
53 Total Interest Charges	1,153,644	1,248,039	1,407,779	2,311,264	1,261,271
54 Income Before Extraordinary & Nonreg Items	55,694,610	44,636,032	31,433,154	15,109,207	39,181,295
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					71,804
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					71,804
58 <b>Net Income</b>	\$55,694,610	\$44,636,032	\$31,433,154	\$15,109,207	\$39,253,099

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**RETAINED EARNINGS STATEMENT**

Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$234,610,322	\$188,795,485	\$157,775,216	\$142,477,070	\$103,223,971
60 Transferred from Income	55,694,610	44,636,032	31,433,154	15,109,207	39,253,099
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments		1,178,805	(412,885)	188,939	
65 Ending Year Balance	290,304,932	234,610,322	188,795,485	157,775,216	142,477,070
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$290,304,932	\$234,610,322	\$188,795,485	\$157,775,216	\$142,477,070

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$261,003	\$498,175	\$435,346	\$443,794	\$202,092
2 Accounts Receivable (Net)	735,690	444,516	384,097	284,381	555,135
3 Current Deferred Income Taxes				1,186	760
4 Other Current Assets	251,192	211,245	246,436	232,078	242,007
5 Total Current Assets	1,247,885	1,153,935	1,065,880	961,440	999,995
<b>NON-CURRENT ASSETS</b>					
6 Investments	3,763,310	3,830,295	4,373,546	4,010,717	3,884,130
7 Unamortized Debt Issuance Costs	26,495	23,362	24,603	25,843	27,083
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	414,364	385,464	328,846	183,751	172,624
11 Other Non-Current Assets					
12 Total Non-Current Assets	4,204,169	4,239,121	4,726,994	4,220,310	4,083,837
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	10,121,782	9,798,368	9,541,591	8,869,865	8,566,605
14 Less: Accumulated Depr and Amort.	5,262,608	4,699,803	4,157,329	3,645,642	3,152,678
15 Net Regulated Plant	4,859,174	5,098,565	5,384,262	5,224,223	5,413,927
16 Total Assets & Other Debits	\$10,311,227	\$10,491,621	\$11,177,135	\$10,405,973	\$10,497,760
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$208,960	\$288,385	\$508,905	\$520,672	\$558,414
18 Notes Payable	150,000		200,000		77,822
19 Advanced Billings	15,018	13,917	11,612	11,803	11,731
20 Customer Deposits	2,937	2,575	2,439	1,686	1,707
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(92,978)	(58,426)	(95,126)	(223,402)	(49,808)
24 Total Current Liabilities	283,937	246,452	627,830	310,760	599,866
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,239,398	3,431,730	3,210,661	3,371,154	3,523,313
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					4,497
27 Non-Current Deferred Taxes	548,268	645,729	652,031	800,427	779,100
28 Other Deferred Credits	123,823	120,837	118,092	115,291	112,663
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	1,094,894	1,012,885	846,435	628,574	512,035
31 Total Other Liab. and Def. Credits	1,766,986	1,779,452	1,616,558	1,544,292	1,408,295
<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	(18,720)	(19,202)	449,707	127,080	105,346
35 Retained Earnings	4,974,627	4,988,189	5,207,380	4,987,688	4,795,939
36 Total Stockholder's Equity	5,020,907	5,033,987	5,722,087	5,179,768	4,966,286
37 Total Liab. and Stockholder's Equity	\$10,311,227	\$10,491,621	\$11,177,135	\$10,405,973	\$10,497,760

**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>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$199,240	\$199,670	\$195,712	\$185,876	\$183,978	1
Network Access Services	2,840,154	2,929,333	3,011,427	3,329,762	3,614,403	2
Long Distance Network Services						3
Miscellaneous Revenues	336,830	227,319	225,559	243,610	284,195	4
Less: Uncollectible Revenues						5
Total Operating Revenues	3,376,225	3,356,322	3,432,698	3,759,248	4,082,577	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	3,146	11,870	7,225	945		7
General Support Expenses	224,369	238,381	297,992	280,147	299,624	8
Central Office Switching	129,679	135,047	67,271	85,815	69,380	9
Operator Systems Expense						10
Central Office Transmission	36,642	17,090	15,742	29,345	12,425	11
Info. Origination/Termination	138,528	74,029	76,427	85,340	105,348	12
Cable & Wire Facilities	189,225	246,046	207,398	443,813	408,773	13
Total Plant Specific Operations	721,589	722,464	672,055	925,405	895,549	14
Other Plant, Property & Equipment	2,369	1,530	330	478	365	15
Network Operations	376,150	324,508	372,417	359,299	436,997	16
Access Expense	11,089	842			111,722	17
Depreciation and Amortization	602,333	589,039	561,752	525,216	507,869	18
Total Plant Non-Specific Operations	991,941	915,920	934,499	884,993	1,056,952	19
Marketing Expense	6,930	6,146	7,187	6,077	8,060	20
Services Expense	265,069	275,476	507,649	476,946	530,358	21
Total Customer Operations	271,999	281,622	514,836	483,024	538,418	22
Executive & Planning	446,154	412,151	78,611	79,278	141,378	23
General & Administrative	465,681	542,849	718,212	702,245	752,020	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	911,835	954,999	796,823	781,523	893,398	27
Total Operations Expense	2,897,363	2,875,005	2,918,213	3,074,946	3,384,318	28
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	3,190	135,331	115,193	161,950	202,431	31
<b>Net Operating Income Before FIT</b>	475,672	345,987	399,292	522,352	495,828	32
Investment Tax Credits - Net						33
Federal Income Taxes	196,253	120,000	143,877	171,203	94,851	34
Provision - Def. Operating Income Taxes - Net	(85,916)	(62,920)	(51,639)	9,775	13,862	35
<b>Net Operating Income</b>	\$365,334	\$288,907	\$307,054	\$341,374	\$387,115	36

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$365,334	\$288,907	\$307,054	\$341,374	\$387,115
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	2,599	3,011	4,467	2,471	1,963
39 Interest Income	38,469	30,233	27,466	37,306	19,538
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	(57,559)	(170,672)	58,080	93,081	73,346
44 Other Non-Operating Income	8,352	(363)	15,479	37,305	
45 Special Charges	10,954	9,323	8,400	10,405	10,098
46 Total Non-Operating Income & Expenses	(19,093)	(147,114)	97,091	159,758	84,748
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes			7,405	9,535	(596)
48 Other					500
49 Total Non-Operating Taxes			7,405	9,535	(96)
50 Income Available Before Interest Charges	346,241	141,793	396,740	491,597	471,959
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	185,699	186,150	171,819	176,103	180,086
52 Other Interest Expense	90,104	90,834	93,383	67,354	75,402
53 Total Interest Charges	275,803	276,984	265,202	243,458	255,488
54 Income Before Extraordinary & Nonreg Items	70,438	(135,191)	131,538	248,139	216,471
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$70,438	(\$135,191)	\$131,538	\$248,139	\$216,471

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**RETAINED EARNINGS STATEMENT**

Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$3,375,725	\$3,424,244	\$3,224,134	\$3,140,476	\$3,047,750
60 Transferred from Income	127,997	35,481	73,459	155,059	143,126
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	84,000	84,000	71,400	71,400	50,400
64 Adjustments			198,051		
65 Ending Year Balance	3,419,721	3,375,725	3,424,244	3,224,134	3,140,476
66 Appropriated/Undistr Affiliate Retained Earnings	1,554,906	1,612,465	1,783,137	1,763,553	1,655,464
67 <b>Total Retained Earnings</b>	\$4,974,627	\$4,988,189	\$5,207,381	\$4,987,688	\$4,795,939

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$456,569	\$111,483	\$157,287	\$114,914	\$468,808
2 Accounts Receivable (Net)	536,872	347,984	319,485	321,158	291,478
3 Current Deferred Income Taxes					
4 Other Current Assets	175,751	284,922	101,167	101,393	102,721
5 Total Current Assets	1,169,193	744,388	577,939	537,465	863,007
<b>NON-CURRENT ASSETS</b>					
6 Investments	3,383,512	3,470,118	3,579,691	4,241,271	4,837,227
7 Unamortized Debt Issuance Costs	5,648	6,083	6,519	6,955	7,390
8 Deferred Charges	25,833				
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	295,334	4,636	6,850	9,064	11,278
11 Other Non-Current Assets					
12 Total Non-Current Assets	3,710,327	3,480,837	3,593,060	4,257,290	4,855,895
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	7,117,331	6,782,033	6,134,230	5,892,387	5,102,715
14 Less: Accumulated Depr and Amort.	3,027,034	2,769,445	2,558,761	2,297,172	2,003,390
15 Net Regulated Plant	4,090,298	4,012,588	3,575,469	3,595,215	3,099,325
16 Total Assets & Other Debits	\$8,969,817	\$8,237,814	\$7,746,467	\$8,389,970	\$8,818,227
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$668,971	\$403,318	\$215,906	\$115,772	\$64,799
18 Notes Payable		90,000	91,178	56,178	61,178
19 Advanced Billings	4,400	4,400	4,400	4,400	4,400
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(2,031)	(136,654)	(91,370)	(149,899)	37,245
24 Total Current Liabilities	671,340	361,064	220,115	26,451	167,622
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,747,412	3,285,380	2,665,240	2,732,289	2,668,640
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	4,695	8,995	13,295	17,595	21,895
27 Non-Current Deferred Taxes	429,894	230,151	203,575	202,108	553,382
28 Other Deferred Credits	23,741	4,636	6,850	9,064	11,278
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	458,330	243,782	223,720	228,767	586,555
<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	579,015
35 Retained Earnings	4,063,571	4,318,425	4,608,229	5,373,298	4,792,095
36 Total Stockholder's Equity	4,092,734	4,347,588	4,637,392	5,402,461	5,395,410
37 Total Liab. and Stockholder's Equity	\$8,969,816	\$8,237,814	\$7,746,467	\$8,389,968	\$8,818,227

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

INCOME STATEMENT	2003	2002	2001	2000	1999	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$159,997	\$171,493	\$165,883	\$162,960	\$156,732	1
Network Access Services	1,388,836	1,400,601	1,294,448	1,185,956	1,205,619	2
Long Distance Network Services	471,051	459,334	542,452	478,144	458,993	3
Miscellaneous Revenues	76,632	77,093	98,055	104,420	94,238	4
Less: Uncollectible Revenues	3,000	10,000	8,798	3,000	3,000	5
<b>Total Operating Revenues</b>	<b>2,093,515</b>	<b>2,098,522</b>	<b>2,092,040</b>	<b>1,928,480</b>	<b>1,912,582</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	3,554	2,619	4,524	9,589	13,678	7
General Support Expenses	89,212	148,154	164,609	150,019	157,470	8
Central Office Switching	196,005	97,171	91,907	135,487	134,908	9
Operator Systems Expense						10
Central Office Transmission	20,226	70,939	45,951	43,864	45,336	11
Info. Origination/Termination	9,263	15,571	21,738	30,962	30,196	12
Cable & Wire Facilities	256,798	225,722	221,210	245,888	245,084	13
<b>Total Plant Specific Operations</b>	<b>575,058</b>	<b>560,176</b>	<b>549,939</b>	<b>615,809</b>	<b>626,672</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	213,597	221,146	229,593	135,079	98,704	16
Access Expense						17
Depreciation and Amortization	254,886	284,002	263,140	186,580	186,260	18
<b>Total Plant Non-Specific Operations</b>	<b>468,483</b>	<b>505,148</b>	<b>492,732</b>	<b>321,659</b>	<b>284,964</b>	<b>19</b>
Marketing Expense	6,471	12,018	25,647	57,297	53,933	20
Services Expense	297,165	303,778	293,360	202,847	175,644	21
<b>Total Customer Operations</b>	<b>303,636</b>	<b>315,796</b>	<b>319,007</b>	<b>260,144</b>	<b>229,577</b>	<b>22</b>
Executive & Planning	215,639	210,716	202,636	118,946	118,094	23
General & Administrative	487,473	498,299	452,483	451,646	383,839	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>703,112</b>	<b>709,015</b>	<b>655,120</b>	<b>570,592</b>	<b>501,933</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,050,289</b>	<b>2,090,135</b>	<b>2,016,798</b>	<b>1,768,204</b>	<b>1,643,146</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	115,074	68,778	138,215	87,245	95,391	31
<b>Net Operating Income Before FIT</b>	<b>(71,848)</b>	<b>(60,391)</b>	<b>(62,972)</b>	<b>73,031</b>	<b>174,045</b>	<b>32</b>
Investment Tax Credits - Net	4,300	4,300	4,300	4,300	4,300	33
Federal Income Taxes	(301,361)	(31,943)	(90,431)	15,919	24,349	34
Provision - Def. Operating Income Taxes - Net	192,492	26,576	1,467	652	10,438	35
<b>Net Operating Income</b>	<b>\$41,321</b>	<b>(\$50,724)</b>	<b>\$30,292</b>	<b>\$60,760</b>	<b>\$143,558</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$41,321	(\$50,724)	\$30,292	\$60,760	\$143,558
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income		16		11	2,033
39 Interest Income			6		318
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	(83,111)	(59,709)	(638,494)	91,651	3,124,535
44 Other Non-Operating Income				563,630	
45 Special Charges	25,600	17,035	16,172	18,162	15,745
46 Total Non-Operating Income & Expenses	(108,711)	(76,728)	(654,660)	637,130	3,111,141
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(4,848)	(5,792)	(5,496)	(6,174)	(5,038)
48 Other					
49 Total Non-Operating Taxes	(4,848)	(5,792)	(5,496)	(6,174)	(5,038)
50 Income Available Before Interest Charges	(62,542)	(121,661)	(618,873)	704,064	3,259,737
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	191,828	167,708	145,759	154,971	101,552
52 Other Interest Expense	486	436	436	436	436
53 Total Interest Charges	192,313	168,143	146,195	155,407	101,988
54 Income Before Extraordinary & Nonreg Items	(254,855)	(289,804)	(765,067)	548,657	3,157,749
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$254,855)	(\$289,804)	(\$765,067)	\$548,657	\$3,157,749

**RETAINED EARNINGS STATEMENT**

Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$4,924,979	\$5,155,074	\$2,133,130	\$1,643,576	\$1,610,364
60 Transferred from Income	(171,744)	(230,095)	(126,573)	457,006	33,212
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments (1)			3,148,517	32,548	
65 Ending Year Balance	4,753,235	4,924,979	5,155,074	2,133,130	1,643,576
66 Appropriated/Undistr Affiliate Retained Earnings	(689,664)	(606,554)	(546,845)	3,240,171	3,148,520
67 <b>Total Retained Earnings</b>	\$4,063,571	\$4,318,425	\$4,608,229	\$5,373,301	\$4,792,096

(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,**

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$900,494	\$362,375	\$579,112	\$722,025	\$1,261,999
2 Accounts Receivable (Net)	2,134,961	2,390,725	2,151,167	1,734,099	855,130
3 Current Deferred Income Taxes	4,379	2,035			
4 Other Current Assets	300,810	465,228	495,452	463,445	586,343
5 Total Current Assets	3,340,644	3,220,363	3,225,731	2,919,569	2,703,472
<b>NON-CURRENT ASSETS</b>					
6 Investments	3,201,856	5,487,413	2,717,528	3,203,755	3,862,465
7 Unamortized Debt Issuance Costs	6,027	6,765	7,503	8,241	8,979
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	138,693	162,400	165,460	182,250	260,669
11 Other Non-Current Assets	447,220	137,436	130,472	123,485	130,201
12 Total Non-Current Assets	3,793,796	5,794,014	3,020,963	3,517,731	4,262,314
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	11,940,936	11,816,046	11,433,748	11,008,086	10,701,247
14 Less: Accumulated Depr and Amort.	6,176,990	5,630,388	5,182,195	4,642,338	4,417,540
15 Net Regulated Plant	5,763,946	6,185,658	6,251,553	6,365,748	6,283,707
16 Total Assets & Other Debits	\$12,898,386	\$15,200,035	\$12,498,247	\$12,803,048	\$13,249,493
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$155,064	\$206,965	\$271,992	\$272,696	\$259,179
18 Notes Payable	20,919	27,354			
19 Advanced Billings			20,759	24,913	31,776
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	552,744	449,360	373,340	359,020	382,842
24 Total Current Liabilities	728,727	683,679	666,091	656,629	673,797
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,385,387	1,497,550	1,601,643	1,698,303	1,787,984
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		8,019	14,944	22,760	35,060
27 Non-Current Deferred Taxes	806,188	798,851	747,097	816,213	1,037,348
28 Other Deferred Credits	41,361	44,294	47,572	57,295	69,327
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	407,920	465,500	464,005	501,545	713,554
31 Total Other Liab. and Def. Credits	1,255,469	1,316,664	1,273,618	1,397,813	1,855,289
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	110,000	110,000	110,000	110,000	110,000
33 Preferred Stock					
34 Other Paid in Capital				67,430	561,280
35 Retained Earnings	9,418,803	11,592,142	8,846,895	8,872,873	8,261,143
36 Total Stockholder's Equity	9,528,803	11,702,142	8,956,895	9,050,303	8,932,423
37 Total Liab. and Stockholder's Equity	\$12,898,386	\$15,200,035	\$12,498,247	\$12,803,048	\$13,249,493

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$927,509	\$974,823	\$922,859	\$894,975	\$867,719	1
Network Access Services	2,789,931	2,622,774	2,564,613	2,557,462	2,323,406	2
Long Distance Network Services	9,959	7,882	8,692	9,310	9,952	3
Miscellaneous Revenues	548,940	499,812	526,370	464,001	544,189	4
Less: Uncollectible Revenues	68,600	23,100	5,000	1,900	4,200	5
<b>Total Operating Revenues</b>	<b>4,207,739</b>	<b>4,082,191</b>	<b>4,017,534</b>	<b>3,923,848</b>	<b>3,741,066</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	99			(50)		7
General Support Expenses	225,666	211,799	213,581	190,642	141,271	8
Central Office Switching	210,425	151,791	103,876	202,735	136,264	9
Operator Systems Expense						10
Central Office Transmission	57,955	49,070	45,738	41,237	18,432	11
Info. Origination/Termination	58,797	82,641	98,461	76,692	70,225	12
Cable & Wire Facilities	275,486	266,041	193,463	184,585	179,071	13
<b>Total Plant Specific Operations</b>	<b>828,428</b>	<b>761,342</b>	<b>655,119</b>	<b>695,841</b>	<b>545,263</b>	<b>14</b>
Other Plant, Property & Equipment			(400)			15
Network Operations	262,205	158,096	143,175	138,799	132,076	16
Access Expense	47,864	34,307	19,246	15,281	15,408	17
Depreciation and Amortization	672,576	646,310	623,694	585,366	460,209	18
<b>Total Plant Non-Specific Operations</b>	<b>982,645</b>	<b>838,713</b>	<b>785,715</b>	<b>739,446</b>	<b>607,693</b>	<b>19</b>
Marketing Expense	10,026	24,526	52,709	49,179	45,688	20
Services Expense	576,446	652,640	495,707	479,992	491,165	21
<b>Total Customer Operations</b>	<b>586,472</b>	<b>677,166</b>	<b>548,416</b>	<b>529,171</b>	<b>536,853</b>	<b>22</b>
Executive & Planning	307,009	356,796	287,671	65,165	266,737	23
General & Administrative	949,053	851,265	583,762	540,447	467,547	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,256,062</b>	<b>1,208,061</b>	<b>871,433</b>	<b>605,612</b>	<b>734,284</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,653,607</b>	<b>3,485,282</b>	<b>2,860,683</b>	<b>2,570,070</b>	<b>2,424,093</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	210,008	194,291	182,518	182,402	197,233	31
<b>Net Operating Income Before FIT</b>	<b>344,124</b>	<b>402,618</b>	<b>974,333</b>	<b>1,171,376</b>	<b>1,119,740</b>	<b>32</b>
Investment Tax Credits - Net	8,019	6,925	7,816	12,300	13,296	33
Federal Income Taxes	48,781	46,983	261,320	228,093	262,030	34
Provision - Def. Operating Income Taxes - Net	18,874	25,968	27,099	99,661	68,279	35
<b>Net Operating Income</b>	<b>\$284,488</b>	<b>\$336,592</b>	<b>\$693,730</b>	<b>\$855,922</b>	<b>\$802,727</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$284,488	\$336,592	\$693,730	\$855,922	\$802,727
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income		912	2	556	3,602
39 Interest Income	30,707	29,342	37,272	75,075	77,881
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	(2,275,557)	2,642,915	(303,749)	(110,450)	(236,892)
44 Other Non-Operating Income	45,694	(6,243)	(191,913)	(44,921)	1,480
45 Special Charges	(14,438)	31,794	38,842	(111,144)	26,292
46 Total Non-Operating Income & Expenses	(2,184,718)	2,635,132	(497,230)	31,404	(180,221)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	21,251	10,039	(40,910)	5,182	21,478
48 Other					
49 Total Non-Operating Taxes	21,251	10,039	(40,910)	5,182	21,478
50 Income Available Before Interest Charges	(1,921,481)	2,961,685	237,410	882,144	601,028
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	108,451	116,571	124,052	131,076	137,472
52 Other Interest Expense	4,807	866	738	738	910
53 Total Interest Charges	113,258	117,437	124,790	131,814	138,382
54 Income Before Extraordinary & Nonreg Items	(2,034,739)	2,844,248	112,620	750,330	462,646
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$2,034,739)	\$2,844,248	\$112,620	\$750,330	\$462,646
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$9,605,055	\$9,502,722	\$9,224,953	\$8,502,773	\$7,912,135
60 Transferred from Income	240,818	201,333	416,369	860,780	699,538
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	138,600	99,000	138,600	138,600	108,900
64 Adjustments					
65 Ending Year Balance	9,707,273	9,605,055	9,502,722	9,224,953	8,502,773
66 Appropriated/Undistr Affiliate Retained Earnings	(288,471)	1,987,086	(655,827)	(352,080)	(241,630)
67 <b>Total Retained Earnings</b>	\$9,418,802	\$11,592,141	\$8,846,895	\$8,872,873	\$8,261,143

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$8,313,726	\$8,315,682	\$7,592,477	\$6,692,638	\$4,571,486
2 Accounts Receivable (Net)	1,011,088	1,371,840	1,672,438	1,701,302	1,916,598
3 Current Deferred Income Taxes					
4 Other Current Assets	307,904	256,963	307,263	305,222	298,087
5 Total Current Assets	9,632,718	9,944,485	9,572,178	8,699,162	6,786,171
<b>NON-CURRENT ASSETS</b>					
6 Investments				42,980	43,065
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	1,619	204,542	255,678		
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets		58,284	58,284	58,284	58,284
12 Total Non-Current Assets	1,619	262,826	313,962	101,264	101,349
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	20,609,950	19,799,940	19,491,084	19,057,315	18,583,507
14 Less: Accumulated Depr and Amort.	11,683,020	10,701,427	9,985,736	9,060,016	7,961,329
15 Net Regulated Plant	8,926,930	9,098,514	9,505,348	9,997,299	10,622,178
16 Total Assets & Other Debits	\$18,561,267	\$19,305,825	\$19,391,488	\$18,797,725	\$17,509,698
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$655,168	\$682,055	\$668,275	\$533,462	\$491,180
18 Notes Payable					
19 Advanced Billings	157,342	151,708	152,730	155,684	154,694
20 Customer Deposits	567	608			
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes	(4,900)				
23 Other Current Liabilities	192,422	210,430	217,489	125,831	209,504
24 Total Current Liabilities	1,000,599	1,044,801	1,038,494	814,977	855,378
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	25,067	41,496			
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC				2,438	31,500
27 Non-Current Deferred Taxes	1,427,915	1,675,623	1,693,260	1,314,735	1,390,920
28 Other Deferred Credits	1,229,042	1,328,609	1,328,609	1,330,297	1,350,392
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	148,066	90,973	42,981	12,545	(4,249)
31 Total Other Liab. and Def. Credits	2,805,023	3,095,204	3,064,849	2,660,015	2,768,563
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	322,250	322,250	322,250	322,250	322,250
33 Preferred Stock					
34 Other Paid in Capital	33,398	33,398	33,398	33,398	33,398
35 Retained Earnings	14,374,930	14,768,676	14,932,496	14,967,085	13,530,110
36 Total Stockholder's Equity	14,730,578	15,124,324	15,288,144	15,322,733	13,885,759
37 Total Liab. and Stockholder's Equity	\$18,561,267	\$19,305,825	\$19,391,487	\$18,797,725	\$17,509,699

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$2,013,717	\$2,018,467	\$1,973,251	\$1,934,799	\$1,983,056	1
Network Access Services	3,246,758	3,288,372	3,121,609	4,049,274	3,636,275	2
Long Distance Network Services	693	1,370	2,424	3,941	4,467	3
Miscellaneous Revenues	949,312	985,957	1,065,912	1,219,075	1,121,247	4
Less: Uncollectible Revenues	26,374	99,430	32,122	48,983	34,966	5
<b>Total Operating Revenues</b>	<b>6,184,106</b>	<b>6,194,736</b>	<b>6,131,073</b>	<b>7,158,106</b>	<b>6,710,078</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	23,569	17,340	21,208	18,333	23,698	7
General Support Expenses	60,787	52,809	62,434	86,971	97,436	8
Central Office Switching	125,635	100,764	110,893	100,958	97,002	9
Operator Systems Expense						10
Central Office Transmission	77,880	73,756	68,452	70,738	63,871	11
Info. Origination/Termination	428,807	311,264	262,891	320,579	332,016	12
Cable & Wire Facilities	339,000	412,753	335,039	357,411	416,920	13
<b>Total Plant Specific Operations</b>	<b>1,055,678</b>	<b>968,686</b>	<b>860,918</b>	<b>954,990</b>	<b>1,030,942</b>	<b>14</b>
Other Plant, Property & Equipment			3,450	(856)	7,118	15
Network Operations	700,130	657,644	555,023	510,571	540,162	16
Access Expense	84,938	49,608	29,251	25,762	29,358	17
Depreciation and Amortization	1,393,947	1,348,466	1,326,365	1,291,812	1,244,711	18
<b>Total Plant Non-Specific Operations</b>	<b>2,179,015</b>	<b>2,055,718</b>	<b>1,914,089</b>	<b>1,827,289</b>	<b>1,821,348</b>	<b>19</b>
Marketing Expense	371,906	348,629	297,362	258,379	287,538	20
Services Expense	810,263	906,307	890,139	946,484	963,782	21
<b>Total Customer Operations</b>	<b>1,182,169</b>	<b>1,254,936</b>	<b>1,187,501</b>	<b>1,204,863</b>	<b>1,251,320</b>	<b>22</b>
Executive & Planning	134,005	128,737	157,881	177,546	184,004	23
General & Administrative	1,049,558	899,185	929,653	972,448	1,012,594	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,183,563</b>	<b>1,027,922</b>	<b>1,087,533</b>	<b>1,149,995</b>	<b>1,196,598</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>5,600,425</b>	<b>5,307,262</b>	<b>5,050,040</b>	<b>5,137,138</b>	<b>5,300,209</b>	<b>28</b>
Other Operating Income & Expenses			(15,936)	24	12,517	29
State & Local Income Taxes						30
Other Taxes	230,751	322,968	288,138	330,643	465,734	31
<b>Net Operating Income Before FIT</b>	<b>352,930</b>	<b>564,505</b>	<b>776,959</b>	<b>1,690,349</b>	<b>956,653</b>	<b>32</b>
Investment Tax Credits - Net			2,438	29,062	29,062	33
Federal Income Taxes	269,316	219,689	316,074	602,807	326,294	34
Provision - Def. Operating Income Taxes - Net	(48,064)	33,499	121,159	(7,179)	(40,610)	35
<b>Net Operating Income</b>	<b>\$131,678</b>	<b>\$311,317</b>	<b>\$342,164</b>	<b>\$1,123,783</b>	<b>\$700,031</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$131,678	\$311,317	\$342,164	\$1,123,783	\$700,031
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	85,739	159,918	313,016	348,556	262,149
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					(1,101)
45 Special Charges	4,948	6,064	7,506	(84,183)	7,326
46 Total Non-Operating Income & Expenses	80,791	153,854	305,509	432,739	253,722
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	29,561	53,828	106,983	119,549	103,670
48 Other					
49 Total Non-Operating Taxes	29,561	53,828	106,983	119,549	103,670
50 Income Available Before Interest Charges	182,908	411,344	540,690	1,436,973	850,083
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	1,654	163	279		460
53 Total Interest Charges	1,654	163	279		460
54 Income Before Extraordinary & Nonreg Items	181,254	411,181	540,412	1,436,973	849,623
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$181,254	\$411,181	\$540,412	\$1,436,973	\$849,623
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$14,768,677	\$14,932,497	\$14,967,085	\$13,530,110	\$13,255,487
60 Transferred from Income	181,254	411,181	540,412	1,436,974	849,623
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	575,000	575,000	575,000		575,000
64 Adjustments					
65 Ending Year Balance	14,374,931	14,768,677	14,932,497	14,967,085	13,530,110
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$14,374,931	\$14,768,677	\$14,932,497	\$14,967,085	\$13,530,110

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$511,858	\$877,647	\$508,366	\$233,363	\$226,069
2 Accounts Receivable (Net)	1,022,285	890,349	1,420,259	1,445,462	855,117
3 Current Deferred Income Taxes	9,019	7,087	5,197	3,721	2,571
4 Other Current Assets	1,697,894	1,958,306	1,480,261	1,515,794	1,308,074
5 Total Current Assets	3,241,056	3,733,389	3,414,083	3,198,340	2,391,831
<b>NON-CURRENT ASSETS</b>					
6 Investments	3,356,626	3,111,788	4,057,009	4,609,529	4,836,403
7 Unamortized Debt Issuance Costs	5,041	5,498	5,955	6,413	6,870
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	663,498	191,537	193,720	204,816	215,914
11 Other Non-Current Assets		375,089	257,576	299,728	253,947
12 Total Non-Current Assets	4,025,165	3,683,912	4,514,260	5,120,486	5,313,134
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	18,134,149	17,800,796	17,685,945	17,109,442	16,034,604
14 Less: Accumulated Depr and Amort.	10,991,817	10,110,233	9,509,301	8,813,554	7,926,665
15 Net Regulated Plant	7,142,332	7,690,563	8,176,644	8,295,888	8,107,939
16 Total Assets & Other Debits	\$14,408,553	\$15,107,864	\$16,104,987	\$16,614,714	\$15,812,904
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$556,604	\$561,545	\$719,364	\$458,874	\$684,231
18 Notes Payable	2,336,277	2,477,348	2,488,848	3,776,948	3,211,048
19 Advanced Billings	75,790	85,390	94,695		
20 Customer Deposits	30,645	34,318	40,250	41,083	39,378
21 Current Maturities - Long-Term Debt	203,932	239,354	213,378	169,448	132,357
22 Current Deferred Income Taxes					
23 Other Current Liabilities	798,574	793,348	656,450	1,170,852	512,849
24 Total Current Liabilities	4,001,822	4,191,303	4,212,985	5,617,205	4,579,863
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,959,212	2,167,987	2,380,311	2,408,403	2,488,595
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	5,823	10,903	15,141	36,683	58,225
27 Non-Current Deferred Taxes	1,258,776	1,198,384	1,365,371	1,447,578	1,442,310
28 Other Deferred Credits	215,921	212,381	209,005	215,759	223,476
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	597,243	735,755	887,123	500,540	468,748
31 Total Other Liab. and Def. Credits	2,077,763	2,157,423	2,476,640	2,200,560	2,192,759
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	619,975	619,975	619,975	619,975	619,975
33 Preferred Stock					
34 Other Paid in Capital					
35 Retained Earnings	5,749,781	5,971,176	6,415,076	5,768,571	5,931,712
36 Total Stockholder's Equity	6,369,756	6,591,151	7,035,051	6,388,546	6,551,687
37 Total Liab. and Stockholder's Equity	\$14,408,553	\$15,107,864	\$16,104,987	\$16,614,714	\$15,812,904

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

INCOME STATEMENT	2003	2002	2001	2000	1999	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$2,463,006	\$2,519,583	\$2,465,033	\$2,435,406	\$2,289,168	1
Network Access Services	4,221,658	4,620,679	5,290,587	4,168,999	4,080,248	2
Long Distance Network Services	29,388	20,736	23,548	49,359	20,486	3
Miscellaneous Revenues	986,177	960,093	892,781	984,338	973,343	4
Less: Uncollectible Revenues	23,688	13,092	19,618	16,792	1,805	5
<b>Total Operating Revenues</b>	<b>7,676,541</b>	<b>8,107,999</b>	<b>8,652,331</b>	<b>7,621,310</b>	<b>7,361,440</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	36,039	41,589	70,377	27,333	23,909	7
General Support Expenses	607,972	648,820	672,797	540,253	508,900	8
Central Office Switching	245,780	222,567	180,762	191,154	204,172	9
Operator Systems Expense						10
Central Office Transmission	163,598	145,725	113,911	64,828	17,597	11
Info. Origination/Termination						12
Cable & Wire Facilities	151,196	197,318	400,699	281,871	282,360	13
<b>Total Plant Specific Operations</b>	<b>1,204,585</b>	<b>1,256,019</b>	<b>1,438,546</b>	<b>1,105,439</b>	<b>1,036,938</b>	<b>14</b>
Other Plant, Property & Equipment	73,871	15,408	26,185	15,448	35,708	15
Network Operations	265,784	249,831	278,080	266,007	238,930	16
Access Expense	69,345	48,544	37,040	29,581	30,693	17
Depreciation and Amortization	1,277,911	1,233,384	1,166,462	990,489	900,441	18
<b>Total Plant Non-Specific Operations</b>	<b>1,686,911</b>	<b>1,547,167</b>	<b>1,507,767</b>	<b>1,301,525</b>	<b>1,205,772</b>	<b>19</b>
Marketing Expense	273,427	301,572	497,670	435,809	297,933	20
Services Expense	955,714	918,679	997,217	724,139	697,653	21
<b>Total Customer Operations</b>	<b>1,229,141</b>	<b>1,220,251</b>	<b>1,494,887</b>	<b>1,159,948</b>	<b>995,586</b>	<b>22</b>
Executive & Planning	1,894,320	1,687,113	1,670,005	1,632,114	1,544,022	23
General & Administrative	1,009,568	1,313,167	1,362,648	1,084,233	942,814	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>2,903,888</b>	<b>3,000,280</b>	<b>3,032,653</b>	<b>2,716,347</b>	<b>2,486,836</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>7,024,525</b>	<b>7,023,717</b>	<b>7,473,853</b>	<b>6,283,259</b>	<b>5,725,132</b>	<b>28</b>
Other Operating Income & Expenses	5,078	(558)	4,212	5,956	(2,300)	29
State & Local Income Taxes		133	32	696	608	30
Other Taxes	353,379	321,004	277,631	397,881	390,755	31
<b>Net Operating Income Before FIT</b>	<b>303,715</b>	<b>762,587</b>	<b>905,027</b>	<b>945,430</b>	<b>1,242,645</b>	<b>32</b>
Investment Tax Credits - Net	5,080	4,238	25,200	25,200	25,200	33
Federal Income Taxes	35,231	182,507	256,068	171,244	283,555	34
Provision - Def. Operating Income Taxes - Net	(5,627)	46,336	(54,353)	5,647	(2,493)	35
<b>Net Operating Income</b>	<b>\$279,191</b>	<b>\$537,982</b>	<b>\$728,512</b>	<b>\$793,739</b>	<b>\$986,783</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$279,191	\$537,982	\$728,512	\$793,739	\$986,783
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	58	30,757	2,753	10	355
39 Interest Income	6,733	14,905	28,961	19,961	8,016
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	5,555				
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	287,314	57,301	102,381	44,238	61,043
44 Other Non-Operating Income	(19,231)	(17,366)	(17,366)	(17,366)	(19,231)
45 Special Charges	71,870	70,443	53,968	11,833	40,006
46 Total Non-Operating Income & Expenses	208,559	15,154	62,761	35,010	10,177
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes					
48 Other					
49 Total Non-Operating Taxes					
50 Income Available Before Interest Charges	487,750	553,136	791,273	828,749	996,960
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	102,623	147,795	155,899	163,306	204,505
52 Other Interest Expense	93,918	114,640	217,252	330,084	171,251
53 Total Interest Charges	196,541	262,435	373,151	493,390	375,756
54 Income Before Extraordinary & Nonreg Items	291,209	290,701	418,122	335,359	621,204
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues	(27,187)	45,642	228,383	(40,913)	(27,135)
57 Total Extraordinary & Nonregulated Items	(27,187)	45,642	228,383	(40,913)	(27,135)
58 <b>Net Income</b>	<b>\$264,022</b>	<b>\$336,343</b>	<b>\$646,505</b>	<b>\$294,446</b>	<b>\$594,069</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$2,963,786	\$3,464,989	\$2,920,865	\$3,128,244	\$3,510,275
60 Transferred from Income	(23,292)	279,042	544,124	250,208	533,026
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	485,417	780,245		457,587	915,057
64 Adjustments					
65 Ending Year Balance	2,455,077	2,963,786	3,464,989	2,920,865	3,128,244
66 Appropriated/Undistr Affiliate Retained Earnings	3,294,702	3,007,388	2,950,087	2,847,706	2,803,468
67 <b>Total Retained Earnings</b>	<b>\$5,749,779</b>	<b>\$5,971,174</b>	<b>\$6,415,076</b>	<b>\$5,768,571</b>	<b>\$5,931,712</b>

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$3,997,257	\$4,047,278	\$3,874,567	\$3,544,119	\$2,754,671
2 Accounts Receivable (Net)	413,603	437,389	622,258	718,849	654,171
3 Current Deferred Income Taxes					
4 Other Current Assets	124,687	79,512	84,026	101,562	103,634
5 Total Current Assets	4,535,547	4,564,179	4,580,850	4,364,531	3,512,476
<b>NON-CURRENT ASSETS</b>					
6 Investments	95,900	95,900	95,900	95,900	95,900
7 Unamortized Debt Issuance Costs	1,166	1,312	1,458	1,604	1,750
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets				(5)	(5)
12 Total Non-Current Assets	97,066	97,212	97,358	97,499	97,645
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	10,546,349	10,581,617	10,182,301	10,321,622	9,829,906
14 Less: Accumulated Depr and Amort.	6,536,489	6,317,175	5,753,909	5,607,008	5,019,911
15 Net Regulated Plant	4,009,860	4,264,442	4,428,392	4,714,614	4,809,995
16 Total Assets & Other Debits	\$8,642,473	\$8,925,833	\$9,106,600	\$9,176,643	\$8,420,116
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$180,913	\$233,178	\$230,117	\$174,516	\$432,089
18 Notes Payable					
19 Advanced Billings	10,167	9,865	8,442	8,034	7,230
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	100,299	95,101	90,176	85,510	81,300
22 Current Deferred Income Taxes	(1,995)				
23 Other Current Liabilities	58,239	54,302	72,227	58,043	43,743
24 Total Current Liabilities	347,623	392,446	400,961	326,103	564,362
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,595,024	1,695,837	1,791,427	1,882,099	1,967,757
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	374,851	296,764	247,531	262,286	284,527
28 Other Deferred Credits	1,428,155	1,393,840	1,355,024	1,310,923	267,879
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	106,543	93,690	85,348	83,024	81,810
31 Total Other Liab. and Def. Credits	1,909,549	1,784,294	1,687,903	1,656,232	634,216
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	67,600	67,600	67,600	67,600	67,600
33 Preferred Stock					
34 Other Paid in Capital	25,215	25,215	25,215	25,215	25,215
35 Retained Earnings	4,697,462	4,960,441	5,133,494	5,219,393	5,160,967
36 Total Stockholder's Equity	4,790,277	5,053,256	5,226,309	5,312,208	5,253,782
37 Total Liab. and Stockholder's Equity	\$8,642,473	\$8,925,833	\$9,106,600	\$9,176,643	\$8,420,116

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$516,336	\$466,191	\$398,681	\$375,794	\$375,436	1
Network Access Services	1,858,957	1,769,021	1,854,129	2,033,017	2,019,920	2
Long Distance Network Services						3
Miscellaneous Revenues	373,501	398,355	450,661	448,222	361,717	4
Less: Uncollectible Revenues	11,818	35,070	13,011	7,100	2,611	5
<b>Total Operating Revenues</b>	<b>2,736,976</b>	<b>2,598,497</b>	<b>2,690,460</b>	<b>2,849,933</b>	<b>2,754,462</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	15,017	9,837	12,414	12,744	8,969	7
General Support Expenses	52,733	45,867	29,230	37,385	34,342	8
Central Office Switching	77,290	54,922	58,562	59,842	50,869	9
Operator Systems Expense						10
Central Office Transmission	15,020	28,159	20,007	14,060	10,614	11
Info. Origination/Termination	244,098	224,493	195,814	238,188	238,838	12
Cable & Wire Facilities	57,148	60,569	55,715	88,421	72,419	13
<b>Total Plant Specific Operations</b>	<b>461,306</b>	<b>423,847</b>	<b>371,742</b>	<b>450,640</b>	<b>416,051</b>	<b>14</b>
Other Plant, Property & Equipment		167,149	9,674	1,844	3,571	15
Network Operations	190,017	5,095	149,930	153,315	164,769	16
Access Expense	15,640					17
Depreciation and Amortization	661,542	652,388	699,811	708,789	701,659	18
<b>Total Plant Non-Specific Operations</b>	<b>867,199</b>	<b>824,632</b>	<b>859,415</b>	<b>863,948</b>	<b>869,999</b>	<b>19</b>
Marketing Expense	167,734	157,207	143,573	85,014	90,685	20
Services Expense	166,351	159,286	174,641	196,368	182,007	21
<b>Total Customer Operations</b>	<b>334,085</b>	<b>316,493</b>	<b>318,214</b>	<b>281,382</b>	<b>272,692</b>	<b>22</b>
Executive & Planning	82,191	89,083	93,288	90,278	86,029	23
General & Administrative	264,408	233,598	251,346	250,819	239,665	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>346,599</b>	<b>322,681</b>	<b>344,633</b>	<b>341,097</b>	<b>325,694</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,009,189</b>	<b>1,887,653</b>	<b>1,894,004</b>	<b>1,937,067</b>	<b>1,884,436</b>	<b>28</b>
Other Operating Income & Expenses				228	353	29
State & Local Income Taxes						30
Other Taxes	150,516	145,848	119,591	160,798	156,228	31
<b>Net Operating Income Before FIT</b>	<b>577,271</b>	<b>564,996</b>	<b>676,866</b>	<b>752,296</b>	<b>714,151</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	115,337	85,921	210,844	245,416	224,798	34
Provision - Def. Operating Income Taxes - Net	76,092	49,233	(14,755)	(9,277)	(120)	35
<b>Net Operating Income</b>	<b>\$385,842</b>	<b>\$429,842</b>	<b>\$480,777</b>	<b>\$516,156</b>	<b>\$489,473</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$385,842	\$429,842	\$480,777	\$516,156	\$489,473
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	2,016	1,470	55	57	55
39 Interest Income	40,420	79,119	160,253	206,025	110,443
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					2,098
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income				(745)	(71)
45 Special Charges	3,725	3,098	2,314	(11,773)	2,244
46 Total Non-Operating Income & Expenses	38,711	77,491	157,994	217,110	110,281
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	14,265	(2,774)	28,559	58,589	22,106
48 Other					
49 Total Non-Operating Taxes	14,265	(2,774)	28,559	58,589	22,106
50 Income Available Before Interest Charges	410,288	510,107	610,211	674,678	577,648
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	101,785	106,859	111,564	116,108	120,307
52 Other Interest Expense	71,486	76,303	84,552	148	156
53 Total Interest Charges	173,271	183,162	196,116	116,256	120,463
54 Income Before Extraordinary & Nonreg Items	237,017	326,945	414,096	558,422	457,185
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$237,017	\$326,945	\$414,096	\$558,422	\$457,185
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$4,960,442	\$5,133,493	\$5,219,393	\$5,160,968	\$4,703,782
60 Transferred from Income	237,017	326,945	414,096	558,422	457,185
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	499,996	499,996	499,997	499,997	
64 Adjustments					
65 Ending Year Balance	4,697,463	4,960,442	5,133,493	5,219,393	5,160,967
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$4,697,463	\$4,960,442	\$5,133,493	\$5,219,393	\$5,160,967

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$3,167,086	\$2,034,817	\$1,656,362	\$1,350,965	\$1,724,630
2 Accounts Receivable (Net)	1,149,672	1,187,125	2,372,112	2,720,937	2,128,650
3 Current Deferred Income Taxes	8,149	5,950	4,342	3,071	
4 Other Current Assets	501,007	602,470	489,676	448,050	371,619
5 Total Current Assets	4,825,914	3,830,362	4,522,492	4,523,023	4,224,899
<b>NON-CURRENT ASSETS</b>					
6 Investments	6,202,675	5,484,825	7,604,966	6,120,532	5,021,632
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	28,575	50,556	49,967	46,740	13,539
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets	1,040,628	911,240	792,775	692,732	601,225
12 Total Non-Current Assets	7,271,878	6,446,621	8,447,708	6,860,004	5,636,396
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	26,088,121	25,425,375	24,237,608	22,620,657	21,655,733
14 Less: Accumulated Depr and Amort.	13,153,755	11,866,481	10,432,914	9,256,669	7,927,082
15 Net Regulated Plant	12,934,366	13,558,894	13,804,694	13,363,988	13,728,651
16 Total Assets & Other Debits	\$25,032,158	\$23,835,877	\$26,774,894	\$24,747,015	\$23,589,946
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$953,856	\$840,784	\$2,200,425	\$1,388,741	\$1,384,236
18 Notes Payable					
19 Advanced Billings	2,720	5,255	6,880	8,450	8,987
20 Customer Deposits	8,096	9,805	13,671	18,384	20,760
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes	337,809	188,065	1,023,461	651,672	108,736
23 Other Current Liabilities	119,495	(306,109)	(96,169)	(39,211)	(36,706)
24 Total Current Liabilities	1,421,976	737,800	3,148,268	2,028,036	1,486,013
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,078,319	1,246,126	1,407,034	1,563,901	1,717,118
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					18,218
27 Non-Current Deferred Taxes	2,140,482	2,002,748	1,787,058	1,592,195	1,980,446
28 Other Deferred Credits	677,094	767,359	859,319	863,579	880,571
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	609,393	609,393	609,393	609,393	609,393
31 Total Other Liab. and Def. Credits	3,426,969	3,379,500	3,255,770	3,065,167	3,488,628
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	587,737	587,737	587,737	587,737	587,737
33 Preferred Stock					
34 Other Paid in Capital	(2,912)	(2,912)	(2,912)	(2,912)	(2,912)
35 Retained Earnings	18,520,069	17,887,626	18,378,997	17,505,086	16,313,362
36 Total Stockholder's Equity	19,104,894	18,472,451	18,963,822	18,089,911	16,898,187
37 Total Liab. and Stockholder's Equity	\$25,032,158	\$23,835,877	\$26,774,894	\$24,747,015	\$23,589,946

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,423,045	\$1,356,378	\$1,369,900	\$1,294,088	\$1,324,011	1
Network Access Services	4,285,526	4,483,191	4,104,919	3,978,973	4,536,885	2
Long Distance Network Services	12,790	25,398	199,777	57,661	73,329	3
Miscellaneous Revenues	325,994	479,601	452,917	530,046	568,455	4
Less: Uncollectible Revenues	104,379	(4,000)	2,000	12,000	12,000	5
<b>Total Operating Revenues</b>	<b>5,942,976</b>	<b>6,348,568</b>	<b>6,125,513</b>	<b>5,848,768</b>	<b>6,490,680</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	31,350	26,780	20,537	30,055	28,016	7
General Support Expenses	420,628	498,010	290,159	340,269	463,474	8
Central Office Switching	572,241	550,628	457,336	235,637	341,096	9
Operator Systems Expense						10
Central Office Transmission	5,140	3,704	4,467	846	29,448	11
Info. Origination/Termination		115	1,243	1,409	7,168	12
Cable & Wire Facilities	513,874	476,631	434,828	497,877	450,100	13
<b>Total Plant Specific Operations</b>	<b>1,543,233</b>	<b>1,555,868</b>	<b>1,208,570</b>	<b>1,106,093</b>	<b>1,319,302</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	585,833	592,342	548,540	558,751	562,821	16
Access Expense	55,124	35,001	27,749	19,572	22,024	17
Depreciation and Amortization	1,746,383	1,754,639	1,613,294	1,563,845	1,051,162	18
<b>Total Plant Non-Specific Operations</b>	<b>2,387,340</b>	<b>2,381,982</b>	<b>2,189,583</b>	<b>2,142,168</b>	<b>1,636,007</b>	<b>19</b>
Marketing Expense	13,363	3,924	6,287	3,977	4,468	20
Services Expense	521,159	534,627	567,688	562,781	613,026	21
<b>Total Customer Operations</b>	<b>534,522</b>	<b>538,551</b>	<b>573,975</b>	<b>566,758</b>	<b>617,494</b>	<b>22</b>
Executive & Planning	225,549	203,478	190,013	167,768	201,711	23
General & Administrative	507,356	492,299	565,004	431,977	477,345	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>732,905</b>	<b>695,777</b>	<b>755,017</b>	<b>599,745</b>	<b>679,056</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>5,198,000</b>	<b>5,172,178</b>	<b>4,727,145</b>	<b>4,414,764</b>	<b>4,251,859</b>	<b>28</b>
Other Operating Income & Expenses	600	600	607	503	647	29
State & Local Income Taxes	139,402	108,641	143,515	184,156	94,643	30
Other Taxes	253,486	232,922	220,986	236,706	248,370	31
<b>Net Operating Income Before FIT</b>	<b>352,688</b>	<b>835,427</b>	<b>1,034,474</b>	<b>1,013,645</b>	<b>1,896,455</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	20,071	307,384	288,015	364,084	523,157	34
Provision - Def. Operating Income Taxes - Net	(2,199)	(1,608)	(1,271)	(985)	69,928	35
<b>Net Operating Income</b>	<b>\$334,816</b>	<b>\$529,651</b>	<b>\$747,730</b>	<b>\$650,546</b>	<b>\$1,303,370</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$334,816	\$529,651	\$747,730	\$650,546	\$1,303,370
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	61,128	57,874	23,439	60	2,842
39 Interest Income	26,179	45,027	85,808	135,303	92,178
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	119,092	49,845	(111,948)	30,117	78,797
44 Other Non-Operating Income	(1,680)	(1,680)	(295,217)	(7,805)	(1,680)
45 Special Charges	167,048	39,537	14,313	21,124	(65,575)
46 Total Non-Operating Income & Expenses	37,671	111,529	(312,231)	136,551	237,712
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)
48 Other					
49 Total Non-Operating Taxes	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)
50 Income Available Before Interest Charges	375,187	643,880	438,199	789,797	1,543,782
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	59,372	66,058	67,206	69,302	98,864
52 Other Interest Expense	345	660	3,653	3,157	3,885
53 Total Interest Charges	59,717	66,718	70,859	72,459	102,749
54 Income Before Extraordinary & Nonreg Items	315,470	577,162	367,340	717,338	1,441,033
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$315,470</b>	<b>\$577,162</b>	<b>\$367,340</b>	<b>\$717,338</b>	<b>\$1,441,033</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$17,547,401	\$17,020,084	\$16,540,926	\$15,853,705	\$14,491,463
60 Transferred from Income	196,378	527,317	479,288	687,221	1,362,236
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments			(130)		
65 Ending Year Balance	17,743,779	17,547,401	17,020,084	16,540,926	15,853,699
66 Appropriated/Undistr Affiliate Retained Earnings	776,290	340,225	1,358,913	964,160	459,657
67 <b>Total Retained Earnings</b>	<b>\$18,520,069</b>	<b>\$17,887,626</b>	<b>\$18,378,997</b>	<b>\$17,505,086</b>	<b>\$16,313,356</b>

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$273,827	\$182,243	\$150,122	\$238,342	\$177,821
2 Accounts Receivable (Net)	231,164	177,466	227,824	166,659	157,316
3 Current Deferred Income Taxes					
4 Other Current Assets	62,129	99,582	27,285	22,304	25,435
5 Total Current Assets	567,120	459,291	405,231	427,305	360,572
<b>NON-CURRENT ASSETS</b>					
6 Investments	226,796	113,199	109,406	76,545	60,257
7 Unamortized Debt Issuance Costs	1672	2,014	2,356	2,698	3,040
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets					
12 Total Non-Current Assets	228,468	115,213	111,762	79,243	63,297
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	2,290,856	2,214,323	2,129,246	2,051,211	1,943,336
14 Less: Accumulated Depr and Amort.	1,011,863	915,037	834,727	743,387	654,668
15 Net Regulated Plant	1,278,993	1,299,286	1,294,519	1,307,824	1,288,668
16 <b>Total Assets &amp; Other Debits</b>	<b>\$2,074,581</b>	<b>\$1,873,790</b>	<b>\$1,811,512</b>	<b>\$1,814,372</b>	<b>\$1,712,537</b>
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$120,398	\$44,730	\$88,049	\$173,005	\$166,630
18 Notes Payable					
19 Advanced Billings					
20 Customer Deposits	1,067	1,708	1,817	1,483	933
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	39,862	18,588	24,590	41,871	19,184
24 Total Current Liabilities	161,327	65,026	114,456	216,359	186,747
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	303,510	338,095	361,374	396,715	431,357
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	66,762	63,949	62,084	61,456	58,750
28 Other Deferred Credits					
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	66,762	63,949	62,084	61,456	58,750
<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	1,464,464	1,328,202	1,195,080	1,061,324	957,165
36 Total Stockholder's Equity	1,542,982	1,406,720	1,273,598	1,139,842	1,035,683
37 <b>Total Liab. and Stockholder's Equity</b>	<b>\$2,074,581</b>	<b>\$1,873,790</b>	<b>\$1,811,512</b>	<b>\$1,814,372</b>	<b>\$1,712,537</b>

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

INCOME STATEMENT	2003	2002	2001	2000	1999	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$160,298	\$125,263	\$127,375	\$127,843	\$125,073	1
Network Access Services	530,282	525,269	489,951	463,171	453,646	2
Long Distance Network Services						3
Miscellaneous Revenues	651,279	578,500	574,109	443,996	340,673	4
Less: Uncollectible Revenues						5
Total Operating Revenues	1,341,859	1,229,032	1,191,435	1,035,010	919,392	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses						7
General Support Expenses	93,269	94,225	73,959	76,785	87,100	8
Central Office Switching	117,383	110,985	123,231	96,223	108,493	9
Operator Systems Expense						10
Central Office Transmission	20,265					11
Info. Origination/Termination						12
Cable & Wire Facilities	135,079	101,854	113,762	100,859	108,489	13
Total Plant Specific Operations	365,996	307,064	310,952	273,867	304,082	14
Other Plant, Property & Equipment	10,942	19,510	22,505	25,972		15
Network Operations	69,357	122,465	106,089	83,297	56,695	16
Access Expense						17
Depreciation and Amortization	97,168	92,805	91,340	88,719	76,143	18
Total Plant Non-Specific Operations	177,467	234,780	219,934	197,988	132,838	19
Marketing Expense						20
Services Expense	48,900	32,594	32,270	29,833	30,460	21
Total Customer Operations	48,900	32,594	32,270	29,833	30,460	22
Executive & Planning	55,908	51,948	51,680	46,164	45,055	23
General & Administrative	372,415	355,889	328,670	262,565	229,126	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	428,323	407,837	380,350	308,729	274,181	27
Total Operations Expense	1,020,686	982,275	943,506	810,417	741,561	28
Other Operating Income & Expenses						29
State & Local Income Taxes	49,448	45,306	45,298	40,939	45,341	30
Other Taxes						31
<b>Net Operating Income Before FIT</b>	271,725	201,451	202,631	183,654	132,490	32
Investment Tax Credits - Net						33
Federal Income Taxes	72,105	47,473	52,982	45,315	24,426	34
Provision - Def. Operating Income Taxes - Net	2,813	1,865	628	2,706	552	35
<b>Net Operating Income</b>	\$196,807	\$152,113	\$149,021	\$135,633	\$107,512	36

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$196,807	\$152,113	\$149,021	\$135,633	\$107,512
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	15,954	10,743	18,461	27,057	9,999
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income					
45 Special Charges					
46 Total Non-Operating Income & Expenses	15,954	10,743	18,461	27,057	9,999
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes					
48 Other					
49 Total Non-Operating Taxes					
50 Income Available Before Interest Charges	212,761	162,856	167,482	162,690	117,511
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	25,157	29,392	33,384	33,189	33,420
52 Other Interest Expense	342	342	342	342	342
53 Total Interest Charges	25,499	29,734	33,726	33,531	33,762
54 Income Before Extraordinary & Nonreg Items	187,262	133,122	133,756	129,159	83,749
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$187,262	\$133,122	\$133,756	\$129,159	\$83,749
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,328,202	\$1,195,080	\$1,061,324	\$957,165	\$873,416
60 Transferred from Income	187,262	133,122	133,756	129,159	83,749
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	51,000			25,000	
64 Adjustments					
65 Ending Year Balance	1,464,464	1,328,202	1,195,080	1,061,324	957,165
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$1,464,464	\$1,328,202	\$1,195,080	\$1,061,324	\$957,165

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	(\$11,447)	\$19,958	\$1,123,488	\$1,835,933	\$2,956,968
2 Accounts Receivable (Net)	7,350,848	7,826,277	917,056	1,006,615	918,667
3 Current Deferred Income Taxes		84,180		102,134	87,680
4 Other Current Assets	73,746	74,580	21,634	93,928	101,661
5 Total Current Assets	7,413,147	8,004,995	2,062,178	3,038,610	4,064,976
<b>NON-CURRENT ASSETS</b>					
6 Investments	4,680,309	(7,452,450)	(117,717)	(213,385)	(158,837)
7 Unamortized Debt Issuance Costs					28,792
8 Deferred Charges	4,588	32,014	98,123	48,950	74,505
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	73,063	4,275,797		3,978,701	912,764
11 Other Non-Current Assets	496,000	353,933	333,058	278,748	193,999
12 Total Non-Current Assets	5,253,960	(2,790,706)	313,464	4,093,014	1,051,223
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	20,507,996	19,953,683	19,755,087	17,907,376	16,640,297
14 Less: Accumulated Depr and Amort.	12,566,521	11,479,192	10,960,357	10,170,682	9,396,638
15 Net Regulated Plant	7,941,475	8,474,491	8,794,730	7,736,694	7,243,659
16 Total Assets & Other Debits	\$20,608,582	\$13,688,780	\$11,170,372	\$14,868,318	\$12,359,858
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$4,680,709	(\$83,933)	\$59,534	\$726,854	\$1,251,874
18 Notes Payable					
19 Advanced Billings	105,088	105,008	109,856	86,574	142,176
20 Customer Deposits			(212)	(1)	
21 Current Maturities - Long-Term Debt			186,870	174,643	150,245
22 Current Deferred Income Taxes					
23 Other Current Liabilities	78,236	(22,851)	(103,277)	(241,562)	77,088
24 Total Current Liabilities	4,864,033	(1,776)	252,771	746,508	1,621,383
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt			3,216,433	3,403,366	3,590,328
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					(48,988)
27 Non-Current Deferred Taxes	6,758,614	4,978,126	(50,122)	5,051,148	743,798
28 Other Deferred Credits	135,801	138,390	113,469	15,922	(8,752)
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	1,122,504	1,201,845	1,214,314	508,338	522,435
31 Total Other Liab. and Def. Credits	8,016,919	6,318,361	1,277,661	5,575,408	1,208,493
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock					188,400
33 Preferred Stock					
34 Other Paid in Capital	4,725,630	4,725,630	4,725,630	4,727,853	1,300,000
35 Retained Earnings	3,002,000	2,646,565	1,697,877	415,183	4,451,254
36 Total Stockholder's Equity	7,727,630	7,372,195	6,423,507	5,143,036	5,939,654
37 Total Liab. and Stockholder's Equity	\$20,608,582	\$13,688,780	\$11,170,372	\$14,868,318	\$12,359,858

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,957,729	\$1,773,842	\$1,780,084	\$1,953,325	\$1,498,139	1
Network Access Services	2,938,262	3,083,800	2,956,317	3,196,416	3,203,630	2
Long Distance Network Services					(2,763)	3
Miscellaneous Revenues	870,444	1,090,279	961,705	923,487	752,494	4
Less: Uncollectible Revenues	(17,802)	30,013	60,051	63,142	58,587	5
<b>Total Operating Revenues</b>	<b>5,784,237</b>	<b>5,917,908</b>	<b>5,638,055</b>	<b>6,010,086</b>	<b>5,392,913</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses		3	97	20,226	11,004	7
General Support Expenses	343,204	303,405	240,678	243,337	184,654	8
Central Office Switching	131,438	215,818	203,041	307,486	288,951	9
Operator Systems Expense						10
Central Office Transmission	43,932	56,500	84,927	82,067	14,269	11
Info. Origination/Termination	72,126	126,003	38,822	48,599	40,182	12
Cable & Wire Facilities	391,081	471,993	495,364	536,416	610,877	13
<b>Total Plant Specific Operations</b>	<b>981,781</b>	<b>1,173,722</b>	<b>1,062,929</b>	<b>1,238,131</b>	<b>1,149,937</b>	<b>14</b>
Other Plant, Property & Equipment	646					15
Network Operations	297,458	320,030	262,327	175,076	231,189	16
Access Expense	228,478	251,364	226,301	93,633	29,208	17
Depreciation and Amortization	525,739	957,455	943,700	901,277	767,888	18
<b>Total Plant Non-Specific Operations</b>	<b>1,052,321</b>	<b>1,528,849</b>	<b>1,432,328</b>	<b>1,169,986</b>	<b>1,028,285</b>	<b>19</b>
Marketing Expense	98,677	95,713	125,440	48,006	44,879	20
Services Expense	208,046	267,227	428,915	240,860	408,185	21
<b>Total Customer Operations</b>	<b>306,723</b>	<b>362,940</b>	<b>554,356</b>	<b>288,866</b>	<b>453,064</b>	<b>22</b>
Executive & Planning	41,118	19,270	113,574	40,078	58,412	23
General & Administrative	920,827	1,049,313	478,162	205,236	424,805	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>961,945</b>	<b>1,068,583</b>	<b>591,736</b>	<b>245,314</b>	<b>483,217</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,302,770</b>	<b>4,134,094</b>	<b>3,641,349</b>	<b>2,942,297</b>	<b>3,114,503</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	270,563	194,337	274,547	262,909	311,744	31
<b>Net Operating Income Before FIT</b>	<b>2,210,904</b>	<b>1,589,477</b>	<b>1,722,159</b>	<b>2,804,880</b>	<b>1,966,666</b>	<b>32</b>
Investment Tax Credits - Net				19,554		33
Federal Income Taxes	672,522	(51,783)	678,969	642,584	588,326	34
Provision - Def. Operating Income Taxes - Net	(280,515)	370,454	(50,122)	1,348,063	(1,139,435)	35
<b>Net Operating Income</b>	<b>\$1,818,897</b>	<b>\$1,270,806</b>	<b>\$1,093,312</b>	<b>\$833,787</b>	<b>\$2,517,775</b>	<b>36</b>

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

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
37 <b>Net Operating Income</b>	\$1,818,897	\$1,270,806	\$1,093,312	\$833,787	\$2,517,775
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	147,202	1,604	50,170	93,188	98,906
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	5,403	47,693	52,425	44,199	13,157
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	(208,750)				
45 Special Charges	4,020	6,018	700	2,350	18,304
46 Total Non-Operating Income & Expenses	(60,165)	43,279	101,895	135,037	93,759
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes			(51,997)		
48 Other					
49 Total Non-Operating Taxes			(51,997)		
50 Income Available Before Interest Charges	1,758,732	1,314,085	1,247,204	968,824	2,611,534
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt		19,234	249,469	185,286	272,864
52 Other Interest Expense	1,403,297	346,163	990	25,338	8,999
53 Total Interest Charges	1,403,297	365,397	250,459	210,624	281,863
54 Income Before Extraordinary & Nonreg Items	355,435	948,688	996,745	758,200	2,329,671
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$355,435</b>	<b>\$948,688</b>	<b>\$996,745</b>	<b>\$758,200</b>	<b>\$2,329,671</b>
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$2,646,565	\$1,697,877	\$415,182	\$4,451,254	\$2,400,731
60 Transferred from Income	355,435	948,688	996,745	758,200	2,329,671
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					19,148
63 Common Stock				1,550,000	260,000
64 Adjustments			285,950	(3,244,272)	
65 Ending Year Balance	3,002,000	2,646,565	1,697,877	415,182	4,451,254
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	<b>\$3,002,000</b>	<b>\$2,646,565</b>	<b>\$1,697,877</b>	<b>\$415,182</b>	<b>\$4,451,254</b>

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,552,325	\$1,278,703	\$657,508	\$2,141,744	\$10,672,139
2 Accounts Receivable (Net)	69,223,405	407,853,275	18,281,913	17,670,057	15,458,908
3 Current Deferred Income Taxes		646,504		1,200,457	959,145
4 Other Current Assets	1,224,080	1,808,377	636,740	1,131,258	918,968
5 Total Current Assets	71,999,810	411,586,859	19,576,161	22,143,516	28,009,160
<b>NON-CURRENT ASSETS</b>					
6 Investments	19,051,301	(90,212,318)	(1,671,525)	(2,415,916)	3,565,705
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	2,907,364	2,574,370	3,002,828	3,090,677	1,985,848
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes		36,387,526		32,510,673	10,738,388
11 Other Non-Current Assets	8,008,000	9,181,706	8,428,041	7,632,425	5,487,675
12 Total Non-Current Assets	29,966,665	(42,068,716)	9,759,344	40,817,859	21,777,616
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	169,765,872	165,129,576	162,749,522	149,773,992	136,926,422
14 Less: Accumulated Depr and Amort.	94,912,444	86,628,567	81,681,931	73,311,773	67,845,662
15 Net Regulated Plant	74,853,428	78,501,009	81,067,591	76,462,219	69,080,760
16 Total Assets & Other Debits	\$176,819,903	\$448,019,152	\$110,403,096	\$139,423,594	\$118,867,536
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$71,829,005	\$374,279	\$4,469,397	\$13,017,042	\$15,675,425
18 Notes Payable					
19 Advanced Billings	1,063,973	1,073,879	1,227,294	1,072,769	909,708
20 Customer Deposits	10,000	10,000	10,000	10,000	
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes		13,415			
23 Other Current Liabilities	663,795	(623,392)	3,455,797	2,275,258	5,769,288
24 Total Current Liabilities	73,566,773	848,181	9,162,488	16,375,069	22,354,421
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt		295,771,034			8,900,000
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					(261,970)
27 Non-Current Deferred Taxes	(3,412,163)	49,198,909	267,214	53,199,775	12,657,474
28 Other Deferred Credits	1,796,907	2,133,945	1,786,897	1,353,480	4,089,023
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	23,369,777	19,691,832	17,876,360	8,775,609	8,545,621
31 Total Other Liab. and Def. Credits	21,754,521	71,024,686	19,930,471	63,328,864	25,030,148
<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	16,805,333
35 Retained Earnings	15,982,152	14,858,794	15,793,680	(5,796,796)	43,497,223
36 Total Stockholder's Equity	81,498,609	80,375,251	81,310,137	59,719,661	62,582,967
37 Total Liab. and Stockholder's Equity	\$176,819,903	\$448,019,152	\$110,403,096	\$139,423,594	\$118,867,536

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$20,849,133	\$20,215,741	\$19,917,953	\$19,210,770	\$18,901,958	1
Network Access Services	30,391,094	30,707,786	29,486,312	29,779,608	28,931,953	2
Long Distance Network Services				(5,004)		3
Miscellaneous Revenues	19,375,699	21,626,265	22,294,212	19,793,937	18,889,251	4
Less: Uncollectible Revenues	1,109,086	212,085	478,009	437,810	456,707	5
<b>Total Operating Revenues</b>	<b>69,506,840</b>	<b>72,337,707</b>	<b>71,220,468</b>	<b>68,341,501</b>	<b>66,266,455</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	207	(60)	28,263	70,534	51,460	7
General Support Expenses	4,159,273	3,075,371	1,527,174	2,780,398	2,643,796	8
Central Office Switching	(1,506,872)	(974,431)	741,682	844,946	1,137,383	9
Operator Systems Expense						10
Central Office Transmission	1,987,650	2,016,395	1,516,585	1,003,944	594,747	11
Info. Origination/Termination	2,863,649	2,264,663	2,143,808	1,476,420	1,608,159	12
Cable & Wire Facilities	2,635,354	2,764,556	2,265,401	2,385,982	2,273,472	13
<b>Total Plant Specific Operations</b>	<b>10,139,261</b>	<b>9,146,494</b>	<b>8,222,912</b>	<b>8,562,224</b>	<b>8,309,017</b>	<b>14</b>
Other Plant, Property & Equipment	7,003	410	3,396	2,924	3,565	15
Network Operations	5,342,363	5,672,689	3,395,284	1,809,767	1,136,664	16
Access Expense	3,195,873	2,773,807	2,162,193	1,913,227	1,303,628	17
Depreciation and Amortization	2,339,939	7,246,492	9,691,183	6,755,686	7,175,216	18
<b>Total Plant Non-Specific Operations</b>	<b>10,885,178</b>	<b>15,693,398</b>	<b>15,252,056</b>	<b>10,481,604</b>	<b>9,619,073</b>	<b>19</b>
Marketing Expense	972,135	2,274,581	2,201,157	1,377,376	1,839,623	20
Services Expense	5,439,103	7,159,268	6,877,996	8,068,628	7,456,809	21
<b>Total Customer Operations</b>	<b>6,411,238</b>	<b>9,433,849</b>	<b>9,079,153</b>	<b>9,446,004</b>	<b>9,296,432</b>	<b>22</b>
Executive & Planning	540,543	365,977	928,078	1,088,813	523,521	23
General & Administrative	9,823,665	12,687,304	6,316,425	3,898,217	2,839,687	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>10,364,208</b>	<b>13,053,281</b>	<b>7,244,502</b>	<b>4,987,030</b>	<b>3,363,208</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>37,799,885</b>	<b>47,327,022</b>	<b>39,798,623</b>	<b>33,476,862</b>	<b>30,587,730</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	2,630,475	3,517,153	4,016,468	3,518,989	4,732,855	31
<b>Net Operating Income Before FIT</b>	<b>29,076,480</b>	<b>21,493,532</b>	<b>27,405,377</b>	<b>31,345,650</b>	<b>30,945,870</b>	<b>32</b>
Investment Tax Credits - Net				3,222	132,596	33
Federal Income Taxes	9,734,199	1,055,701	11,248,766	4,264,052	13,500,430	34
Provision - Def. Operating Income Taxes - Net	442,570	2,535,383	267,214	15,815,479	(4,684,729)	35
<b>Net Operating Income</b>	<b>\$18,899,711</b>	<b>\$17,902,448</b>	<b>\$15,889,397</b>	<b>\$11,269,341</b>	<b>\$22,262,765</b>	<b>36</b>

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

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
37 <b>Net Operating Income</b>	\$18,899,711	\$17,902,448	\$15,889,397	\$11,269,341	\$22,262,765
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	147,539	145,763	139,068	167,705	181,838
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	41,210	80,722	240,382	275,276	296,134
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income					8
45 Special Charges	159,898	242,670	175,592	176,600	171,566
46 Total Non-Operating Income & Expenses	28,851	(16,185)	203,858	266,381	306,414
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(5,444,541)		95,031		
48 Other					
49 Total Non-Operating Taxes	(5,444,541)		95,031		
50 Income Available Before Interest Charges	24,373,103	17,886,263	15,998,224	11,535,722	22,569,179
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense		3,821,329	(67,660)	321,719	577,058
53 Total Interest Charges	23,249,745	3,821,329	(67,660)	321,719	577,058
54 Income Before Extraordinary & Nonreg Items	1,123,358	14,064,934	16,065,884	11,214,003	21,992,121
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$1,123,358</b>	<b>\$14,064,934</b>	<b>\$16,065,884</b>	<b>\$11,214,003</b>	<b>\$21,992,121</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$14,858,794	\$15,793,860	(\$5,796,796)	\$43,497,223	\$45,131,659
60 Transferred from Income	1,123,358	14,064,934	16,065,884	11,214,003	21,992,121
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock		15,000,000		14,000,000	16,150,000
64 Adjustments			5,524,772	(46,508,022)	(7,476,557)
65 Ending Year Balance	15,982,152	14,858,794	15,793,860	(5,796,796)	43,497,223
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	<b>\$15,982,152</b>	<b>\$14,858,794</b>	<b>\$15,793,860</b>	<b>(\$5,796,796)</b>	<b>\$43,497,223</b>

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$32,207	\$1,118	\$872,181	\$1,246,041	\$3,033,279
2 Accounts Receivable (Net)	4,035,213	24,217,325	4,762	1,527,087	1,319,228
3 Current Deferred Income Taxes		53,108		66,456	62,945
4 Other Current Assets	104,267	88,292	1,827	83,631	65,879
5 Total Current Assets	4,171,687	24,359,843	878,770	2,923,215	4,481,331
<b>NON-CURRENT ASSETS</b>					
6 Investments	3,983,991	(10,207,513)	(1,555,851)	(222,868)	(522,711)
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	334,173	310,984	334,060	335,018	361,250
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	47,950	4,760,033		4,342,934	1,236,411
11 Other Non-Current Assets					
12 Total Non-Current Assets	4,366,114	(5,136,496)	(1,221,791)	4,455,084	1,074,950
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	21,892,343	21,466,317	20,743,423	19,139,019	16,958,933
14 Less: Accumulated Depr and Amort.	13,988,222	12,639,020	11,305,190	10,595,043	9,474,719
15 Net Regulated Plant	7,904,121	8,827,297	9,438,233	8,543,976	7,484,214
16 Total Assets & Other Debits	\$16,441,922	\$28,050,644	\$9,095,212	\$15,922,275	\$13,040,495
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	5,792,292	(\$7,643)	\$63,165	\$871,182	\$989,719
18 Notes Payable					
19 Advanced Billings	234,919	225,876	225,215	194,318	184,399
20 Customer Deposits					
21 Current Maturities - Long-Term Debt			95,062	89,126	77,147
22 Current Deferred Income Taxes					
23 Other Current Liabilities	1,567	(1,273)	464,576	(49,919)	184,776
24 Total Current Liabilities	6,028,778	216,960	848,018	1,104,707	1,436,041
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt		14,123,979	1,577,355	1,672,467	1,750,662
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC				6,726,207	(29,287)
27 Non-Current Deferred Taxes	1,489,056	5,117,225	(57,081)	(19,085)	1,070,173
28 Other Deferred Credits	6,239	7,296	(14,727)		23,336
29 Other Jurisdictional Differences - Net				1,310,358	
30 Other Liabilities	1,753,195	1,138,350	1,057,013		1,284,347
31 Total Other Liab. and Def. Credits	3,248,490	6,262,871	985,205	8,017,480	2,348,569
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	1	1	1	1	118,450
33 Preferred Stock					
34 Other Paid in Capital	6,234,910	6,234,910	6,234,910	6,217,611	
35 Retained Earnings	929,743	1,211,923	(550,277)	(1,089,991)	7,386,773
36 Total Stockholder's Equity	7,164,654	7,446,834	5,684,634	5,127,621	7,505,223
37 Total Liab. and Stockholder's Equity	\$16,441,922	\$28,050,644	\$9,095,212	\$15,922,275	\$13,040,495

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,959,873	\$1,962,561	\$1,888,671	\$1,864,562	\$1,879,998	1
Network Access Services	3,204,150	2,902,659	2,980,242	3,278,453	3,079,435	2
Long Distance Network Services						3
Miscellaneous Revenues	1,156,914	1,451,493	1,455,355	1,382,698	1,254,002	4
Less: Uncollectible Revenues	70,022	(16,971)	73,593	34,224	38,949	5
<b>Total Operating Revenues</b>	<b>6,250,915</b>	<b>6,333,684</b>	<b>6,250,675</b>	<b>6,491,489</b>	<b>6,174,486</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	10	(24)	97	5,988	11,347	7
General Support Expenses	440,221	380,345	208,495	296,472	297,014	8
Central Office Switching	91,580	145,181	197,984	131,776	128,982	9
Operator Systems Expense						10
Central Office Transmission	109,612	138,981	153,249	123,791	115,403	11
Info. Origination/Termination	105,383	73,547	100,431	61,753	45,996	12
Cable & Wire Facilities	332,383	349,661	503,663	408,292	333,597	13
<b>Total Plant Specific Operations</b>	<b>1,079,189</b>	<b>1,087,691</b>	<b>1,163,918</b>	<b>1,028,072</b>	<b>932,339</b>	<b>14</b>
Other Plant, Property & Equipment	52					15
Network Operations	478,137	449,311	387,254	262,337	319,594	16
Access Expense	133,955	26,482	43,153	37,198	56,681	17
Depreciation and Amortization	2,193,096	1,533,197	1,396,699	1,216,730	1,004,651	18
<b>Total Plant Non-Specific Operations</b>	<b>2,805,240</b>	<b>2,008,990</b>	<b>1,827,106</b>	<b>1,516,265</b>	<b>1,380,926</b>	<b>19</b>
Marketing Expense	142,680	139,931	183,939	45,074	89,211	20
Services Expense	308,351	415,004	598,365	357,625	658,400	21
<b>Total Customer Operations</b>	<b>451,031</b>	<b>554,935</b>	<b>782,304</b>	<b>402,699</b>	<b>747,611</b>	<b>22</b>
Executive & Planning	48,079	28,266	158,988	61,411	117,741	23
General & Administrative	(100,240)	67,523	665,362	425,990	445,482	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>(52,161)</b>	<b>95,789</b>	<b>824,350</b>	<b>487,401</b>	<b>563,223</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>4,283,299</b>	<b>3,747,405</b>	<b>4,597,678</b>	<b>3,434,437</b>	<b>3,624,099</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	174,844	317,951	371,058	334,367	392,162	31
<b>Net Operating Income Before FIT</b>	<b>1,792,772</b>	<b>2,268,328</b>	<b>1,281,939</b>	<b>2,722,685</b>	<b>2,158,225</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	(385,723)	340,095	560,248	551,411	947,574	34
Provision - Def. Operating Income Taxes - Net	1,099,299	(242,340)	(57,081)	2,567,119	(1,628,781)	35
<b>Net Operating Income</b>	<b>\$1,079,196</b>	<b>\$2,170,573</b>	<b>\$778,772</b>	<b>(\$395,845)</b>	<b>\$2,839,432</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$1,079,196	\$2,170,573	\$778,772	(\$395,845)	\$2,839,432
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	95,311	1,571	37,753	80,131	90,266
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	3,830	7,163	45,797	32,244	22,264
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	(137,000)				3,299
45 Special Charges	936	9,368	11,065	3,388	6,398
46 Total Non-Operating Income & Expenses	(38,795)	(634)	72,485	108,987	109,431
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes			(25,653)		
48 Other					
49 Total Non-Operating Taxes			(25,653)		
50 Income Available Before Interest Charges	1,040,401	2,169,939	876,910	(286,858)	2,948,863
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt		18,538	121,304	66,480	145,872
52 Other Interest Expense	1,322,582	389,202	24,475	20,409	3,341
53 Total Interest Charges	1,322,582	407,740	145,779	86,889	149,213
54 Income Before Extraordinary & Nonreg Items	(282,181)	1,762,199	731,131	(373,747)	2,799,650
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$282,181)	\$1,762,199	\$731,131	(\$373,747)	\$2,799,650
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,211,922	(\$550,277)	(\$1,089,992)	\$7,386,772	\$5,587,122
60 Transferred from Income	(282,181)	1,762,199	731,131	(373,747)	2,799,650
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock				2,000,000	1,000,000
64 Adjustments			(191,416)	(6,103,017)	
65 Ending Year Balance	929,741	1,211,922	(550,277)	(1,089,992)	7,386,772
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$929,741	\$1,211,922	(\$550,277)	(\$1,089,992)	\$7,386,772

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$71,120	\$28,416	\$70,460	\$68,279	\$6,933,924
2 Accounts Receivable (Net)	1,099,386	68,733,048	1,200,157	4,616,779	2,164,120
3 Current Deferred Income Taxes		105,448		129,247	75,272
4 Other Current Assets	314,010	286,360	57,729	212,404	298,486
5 Total Current Assets	1,484,516	69,153,272	1,328,346	5,026,709	9,471,802
<b>NON-CURRENT ASSETS</b>					
6 Investments	(614,677)	(25,335,318)	(10,249,299)	(1,811,105)	(806,816)
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	278,357	227,808	305,361	291,685	354,172
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes		8,833,459		8,766,030	3,328,121
11 Other Non-Current Assets	(84,000)	319,762	263,058	252,919	156,418
12 Total Non-Current Assets	(420,320)	(15,954,289)	(9,680,880)	7,499,529	3,031,895
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	47883731	46,657,188	46,150,917	41,372,700	37,029,826
14 Less: Accumulated Depr and Amort.	24513077	22,135,941	21,583,041	19,279,576	17,781,398
15 Net Regulated Plant	23,370,654	24,521,247	24,567,876	22,093,124	19,248,428
16 Total Assets & Other Debits	\$24,434,850	\$77,720,230	\$16,215,342	\$34,619,362	\$31,752,125
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	14,288,803	(\$105,634)	(\$374,110)	\$2,674,059	\$8,942,619
18 Notes Payable					
19 Advanced Billings	210,315	207,607	262,314	151,597	156,448
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes		60			
23 Other Current Liabilities	11,064	(79,162)	162,385	359,666	2,472,843
24 Total Current Liabilities	14,510,182	22,871	50,589	3,185,322	11,571,910
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt		49,999,037		4,700,000	4,700,000
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					(8,179)
27 Non-Current Deferred Taxes	(5,807,052)	11,200,588	(72,150)	14,088,253	1,445,267
28 Other Deferred Credits	5,341	18,833	68,694	(34,382)	468,617
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	2,345,659	2,376,821	2,177,184	1,143,868	1,059,892
31 Total Other Liab. and Def. Credits	(3,456,052)	13,596,242	2,173,728	15,197,739	2,965,597
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock					168,000
33 Preferred Stock					
34 Other Paid in Capital	12,654,368	12,654,368	12,654,368	12,654,368	12,254,592
35 Retained Earnings	726,352	1,447,712	1,336,657	(1,118,067)	92,026
36 Total Stockholder's Equity	13,380,720	14,102,080	13,991,025	11,536,301	12,514,618
37 Total Liab. and Stockholder's Equity	\$24,434,850	\$77,720,230	\$16,215,342	\$34,619,362	\$31,752,125

**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>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$4,033,159	\$4,055,227	\$4,188,995	\$4,399,000	\$4,167,124	1
Network Access Services	6,280,412	5,811,619	5,756,146	6,141,932	5,828,953	2
Long Distance Network Services					(589)	3
Miscellaneous Revenues	2,765,006	2,840,151	2,731,480	2,729,814	2,778,043	4
Less: Uncollectible Revenues	68,886	(71,050)	91,784	68,478	84,718	5
Total Operating Revenues	13,009,691	12,778,047	12,584,837	13,202,268	12,688,813	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	(9)	11	187	20,024	16,964	7
General Support Expenses	277,442	736,593	329,698	428,540	375,831	8
Central Office Switching	2,545,584	2,436,303	100,937	57,455	134,795	9
Operator Systems Expense						10
Central Office Transmission	337,555	238,658	224,682	156,964	75,562	11
Info. Origination/Termination	451,091	203,239	278,131	349,156	408,785	12
Cable & Wire Facilities	685,834	1,176,134	1,020,166	880,734	908,438	13
Total Plant Specific Operations	4,297,497	4,790,938	1,953,800	1,892,873	1,920,375	14
Other Plant, Property & Equipment						15
Network Operations	346,627	765,416	476,898	237,755	491,122	16
Access Expense	202,074	156,927	99,344	75,493	62,070	17
Depreciation and Amortization	1,959,788	2,614,336	2,632,678	1,639,153	1,176,857	18
Total Plant Non-Specific Operations	2,508,489	3,536,679	3,208,920	1,952,401	1,730,049	19
Marketing Expense	110,086	288,450	388,579	107,926	281,204	20
Services Expense	435,016	1,071,931	1,243,033	934,421	1,401,694	21
Total Customer Operations	545,102	1,360,381	1,631,611	1,042,347	1,682,898	22
Executive & Planning	61,836	65,513	165,957	70,175	143,701	23
General & Administrative	1,026,309	1,969,123	997,516	517,501	694,931	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	1,088,145	2,034,636	1,163,474	587,676	838,632	27
Total Operations Expense	8,439,233	11,722,634	7,957,806	5,475,297	6,171,954	28
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	541,761	712,662	955,314	1,005,188	1,035,742	31
<b>Net Operating Income Before FIT</b>	<b>4,028,697</b>	<b>342,751</b>	<b>3,671,717</b>	<b>6,721,783</b>	<b>5,481,117</b>	<b>32</b>
Investment Tax Credits - Net					871	33
Federal Income Taxes	(162,040)	(1,339,611)	1,430,854	107,627	4,225,936	34
Provision - Def. Operating Income Taxes - Net	705,925	476,964	(72,150)	6,692,432	(3,375,551)	35
<b>Net Operating Income</b>	<b>\$3,484,812</b>	<b>\$1,205,398</b>	<b>\$2,313,013</b>	<b>(\$78,276)</b>	<b>\$4,631,603</b>	<b>36</b>

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

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
37 <b>Net Operating Income</b>	\$3,484,812	\$1,205,398	\$2,313,013	(\$78,276)	\$4,631,603
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	11,043	1,683	12,889	10,405	50,675
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	22,937	44,890	201,309	173,986	111,510
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income					
45 Special Charges	576	23,121	15,008	17,252	16,006
46 Total Non-Operating Income & Expenses	33,404	23,452	199,190	167,139	146,179
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes			(96,434)		
48 Other					
49 Total Non-Operating Taxes			(96,434)		
50 Income Available Before Interest Charges	3,518,216	1,228,850	2,608,637	88,863	4,777,782
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	4,239,576	1,117,801	474,717	561,076	430,315
53 Total Interest Charges	4,239,576	1,117,801	474,717	561,076	430,315
54 Income Before Extraordinary & Nonreg Items	(721,360)	111,049	2,133,920	(472,213)	4,347,467
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$721,360)	\$111,049	\$2,133,920	(\$472,213)	\$4,347,467
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<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,447,706	\$1,336,657	(\$1,118,067)	\$92,026	\$5,544,559
60 Transferred from Income	(721,360)	111,049	2,133,920	(472,213)	4,347,467
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock				500,000	6,800,000
64 Adjustments			320,804	(237,880)	(3,000,000)
65 Ending Year Balance	726,346	1,447,706	1,336,657	(1,118,067)	92,026
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$726,346	\$1,447,706	\$1,336,657	(\$1,118,067)	\$92,026

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$2,570,171	\$2,286,977	\$2,082,158	\$2,394,568	\$1,903,519
2 Accounts Receivable (Net)	1,127,960	825,806	762,226	663,265	692,460
3 Current Deferred Income Taxes	2,590	2,423	1,973	1,518	1,094
4 Other Current Assets	148,243	136,827	131,771	81,714	74,361
5 Total Current Assets	3,848,964	3,252,033	2,978,128	3,141,065	2,671,434
<b>NON-CURRENT ASSETS</b>					
6 Investments	2,673,713	2,628,667	3,125,565	3,268,820	3,420,434
7 Unamortized Debt Issuance Costs	7,597	8,551	9,505	10,459	11,413
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	190,568	172,277	117,636	51,553	32,505
11 Other Non-Current Assets	1,661,455	1,470,684	1,340,804	1,249,714	1,199,371
12 Total Non-Current Assets	4,533,333	4,280,179	4,593,510	4,580,546	4,663,723
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	8,817,889	8,332,894	8,118,896	7,598,102	7,073,901
14 Less: Accumulated Depr and Amort.	5,416,800	4,979,760	4,607,480	4,103,789	3,594,828
15 Net Regulated Plant	3,401,089	3,353,134	3,511,416	3,494,313	3,479,073
16 Total Assets & Other Debits	\$11,783,386	\$10,885,346	\$11,083,054	\$11,215,925	\$10,814,230
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$683,953	\$240,084	\$213,165	\$298,954	\$267,572
18 Notes Payable				17,714	35,714
19 Advanced Billings	26,370	17,460	7,755		27,277
20 Customer Deposits	140	140	140	290	290
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	149,604	(117,523)	(89,558)	(55,097)	(389,066)
24 Total Current Liabilities	860,067	140,161	131,502	261,861	(58,213)
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	744,390	827,301	906,188	981,265	1,052,665
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			5,420	10,470	15,520
27 Non-Current Deferred Taxes	289,027	238,298	229,257	241,049	266,341
28 Other Deferred Credits	88,082	113,885	141,578	169,131	196,773
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	901,876	830,904	591,099	541,749	490,399
31 Total Other Liab. and Def. Credits	1,278,985	1,183,087	967,354	962,399	969,033
<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	38,920	(33,430)			
35 Retained Earnings	8,781,024	8,688,228	8,998,011	8,930,400	8,770,745
36 Total Stockholder's Equity	8,899,944	8,734,798	9,078,011	9,010,400	8,850,745
37 Total Liab. and Stockholder's Equity	\$11,783,386	\$10,885,347	\$11,083,055	\$11,215,925	\$10,814,230

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$440,668	\$448,803	\$435,955	\$423,708	\$425,318	1
Network Access Services	3,041,554	2,885,221	3,155,665	3,066,229	2,869,696	2
Long Distance Network Services				(1)	(1)	3
Miscellaneous Revenues	360,510	369,105	282,608	333,663	373,969	4
Less: Uncollectible Revenues	(2,646)	76,292	11,430	4,474	5,586	5
<b>Total Operating Revenues</b>	<b>3,845,378</b>	<b>3,626,837</b>	<b>3,862,798</b>	<b>3,819,125</b>	<b>3,663,396</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	21,106	32,259	41,116	22,211	16,944	7
General Support Expenses	300,888	349,759	373,376	311,780	275,381	8
Central Office Switching	159,714	188,403	222,346	295,425	205,136	9
Operator Systems Expense						10
Central Office Transmission	164,186	150,994	102,411	88,869	59,007	11
Info. Origination/Termination	7,759	7,503	6,445	8,302	9,249	12
Cable & Wire Facilities	161,060	150,986	144,452	121,124	162,861	13
<b>Total Plant Specific Operations</b>	<b>814,713</b>	<b>879,904</b>	<b>890,146</b>	<b>847,711</b>	<b>728,578</b>	<b>14</b>
Other Plant, Property & Equipment	1,535	480				15
Network Operations	345,495	321,133	366,349	454,277	400,957	16
Access Expense	16,350	9,070				17
Depreciation and Amortization	544,458	580,063	561,524	524,301	493,566	18
<b>Total Plant Non-Specific Operations</b>	<b>907,838</b>	<b>910,746</b>	<b>927,873</b>	<b>978,578</b>	<b>894,523</b>	<b>19</b>
Marketing Expense	110,701	109,160	91,818	102,930	97,222	20
Services Expense	342,406	327,083	372,265	332,898	215,290	21
<b>Total Customer Operations</b>	<b>453,107</b>	<b>436,243</b>	<b>464,083</b>	<b>435,828</b>	<b>312,512</b>	<b>22</b>
Executive & Planning	257,855	284,865	284,580	269,567	446,243	23
General & Administrative	804,541	843,676	702,893	556,502	504,383	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,062,396</b>	<b>1,128,541</b>	<b>987,473</b>	<b>826,069</b>	<b>950,626</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,238,054</b>	<b>3,355,434</b>	<b>3,269,575</b>	<b>3,088,186</b>	<b>2,886,239</b>	<b>28</b>
Other Operating Income & Expenses			(32,000)	(62,483)		29
State & Local Income Taxes						30
Other Taxes	160,127	151,291	122,613	159,254	164,595	31
<b>Net Operating Income Before FIT</b>	<b>447,197</b>	<b>120,112</b>	<b>438,610</b>	<b>509,202</b>	<b>612,562</b>	<b>32</b>
Investment Tax Credits - Net		5,420	5,050	5,050		33
Federal Income Taxes	154,686	10,753	254,904	207,101	169,970	34
Provision - Def. Operating Income Taxes - Net	(21,122)	(57,845)	(57,695)	(71,164)	(69,614)	35
<b>Net Operating Income</b>	<b>\$313,633</b>	<b>\$172,624</b>	<b>\$246,451</b>	<b>\$378,315</b>	<b>\$512,206</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$313,633	\$172,624	\$246,451	\$378,315	\$512,206
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	26,857	25,222	34,699	47,274	32,872
39 Interest Income	43,563	47,367	59,555	55,964	56,873
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	(164,629)	(350,830)	(123,018)	(144,893)	2,005,936
44 Other Non-Operating Income	20,566	(125,663)	(144,597)	58,299	89,505
45 Special Charges	(123,251)	18,019	94,475	138,507	132,553
46 Total Non-Operating Income & Expenses	49,608	(421,923)	(267,836)	(121,863)	2,052,633
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	19,239		(150,353)	21,682	(26,873)
48 Other					
49 Total Non-Operating Taxes	19,239		(150,353)	21,682	(26,873)
50 Income Available Before Interest Charges	344,002	(249,299)	128,968	234,770	2,591,712
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	39,207	43,245	47,081	50,781	54,250
52 Other Interest Expense	954	1,565	1,643	3,441	4,543
53 Total Interest Charges	40,161	44,810	48,724	54,222	58,793
54 Income Before Extraordinary & Nonreg Items	303,841	(294,109)	80,244	180,548	2,532,919
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items		(900)			
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items		(900)			
58 <b>Net Income</b>	\$303,841	(\$295,009)	\$80,244	\$180,548	\$2,532,919
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$6,689,190	\$6,648,143	\$6,457,511	\$6,152,964	\$5,638,852
60 Transferred from Income	468,470	55,821	203,262	325,441	526,983
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	211,045	14,774	12,630	20,893	12,871
64 Adjustments					
65 Ending Year Balance	6,946,615	6,689,190	6,648,143	6,457,511	6,152,964
66 Appropriated/Undistr Affiliate Retained Earnings	1,834,409	1,999,038	2,349,868	2,472,889	2,617,782
67 <b>Total Retained Earnings</b>	\$8,781,024	\$8,688,228	\$8,998,011	\$8,930,400	\$8,770,746

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$363,180	\$134,077	\$46,840	\$50,746	\$62,080
2 Accounts Receivable (Net)	217,777	839,210	2,418,387	2,811,758	2,566,113
3 Current Deferred Income Taxes	9,584	133,816	63,833		
4 Other Current Assets	927,630	820,069	728,345	643,530	563,096
5 Total Current Assets	1,518,171	1,927,172	3,257,405	3,506,034	3,191,289
<b>NON-CURRENT ASSETS</b>					
6 Investments	1,700,018	1,644,645	2,000,765	2,407,496	2,619,655
7 Unamortized Debt Issuance Costs	9,637	10,873	12,109	13,345	14,582
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	334,168	238,047	24,527	30,231	36,073
11 Other Non-Current Assets					
12 Total Non-Current Assets	2,043,823	1,893,565	2,037,401	2,451,072	2,670,310
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	4,551,408	4,530,047	4,481,206	4,155,838	4,169,765
14 Less: Accumulated Depr and Amort.	2,748,929	2,621,238	2,411,867	2,195,072	1,996,013
15 Net Regulated Plant	1,802,479	1,908,809	2,069,339	1,960,766	2,173,752
16 Total Assets & Other Debits	\$5,364,473	\$5,729,546	\$7,364,145	\$7,917,872	\$8,035,351
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	186,044	\$122,475	\$1,506,141	\$1,513,278	\$1,436,746
18 Notes Payable		382,566	447,041	382,000	432,000
19 Advanced Billings	22,853	22,185	20,355	19,910	19,670
20 Customer Deposits				609	609
21 Current Maturities - Long-Term Debt	91,485	85,290	79,521	74,148	70,864
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(15,745)	(38,990)	(68,693)	45,520	(60,668)
24 Total Current Liabilities	284,637	573,526	1,984,365	2,035,465	1,899,221
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	773,572	865,408	951,033	1,030,903	1,103,640
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			2,724	6,169	9,870
27 Non-Current Deferred Taxes	250,400	267,866	284,428	320,761	363,831
28 Other Deferred Credits	52,695	56,263	54,842	50,113	50,113
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	544,945	647,842	388,556	381,692	374,828
31 Total Other Liab. and Def. Credits	848,040	971,971	730,550	758,735	798,642
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	60,000	60,000	60,000	60,000	60,000
33 Preferred Stock					
34 Other Paid in Capital					
35 Retained Earnings	3,398,224	3,258,641	3,638,197	4,032,769	4,173,848
36 Total Stockholder's Equity	3,458,224	3,318,641	3,698,197	4,092,769	4,233,848
37 Total Liab. and Stockholder's Equity	\$5,364,473	\$5,729,546	\$7,364,145	\$7,917,872	\$8,035,351

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$354,844	\$356,651	\$345,711	\$329,882	\$326,834	1
Network Access Services	1,414,412	1,344,240	1,316,538	1,361,091	1,395,821	2
Long Distance Network Services	3,193	5,361	1,916	3,380	2,586	3
Miscellaneous Revenues	81,925	78,116	91,671	102,030	137,892	4
Less: Uncollectible Revenues	1,200	1,200	1,200	1,200	1,200	5
<b>Total Operating Revenues</b>	<b>1,853,174</b>	<b>1,783,168</b>	<b>1,754,636</b>	<b>1,795,183</b>	<b>1,861,933</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	8,005	7,020	8,557	7,543	7,102	7
General Support Expenses	91,875	85,181	81,475	82,802	89,125	8
Central Office Switching	336,638	317,231	251,277	222,096	262,050	9
Operator Systems Expense						10
Central Office Transmission					647	11
Info. Origination/Termination						12
Cable & Wire Facilities	238,589	203,435	200,218	168,547	161,342	13
<b>Total Plant Specific Operations</b>	<b>675,107</b>	<b>612,867</b>	<b>541,527</b>	<b>480,988</b>	<b>520,266</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	21,323	30,735	27,558	32,470	45,251	16
Access Expense	21,309	11,426	25	33	100	17
Depreciation and Amortization	247,376	242,559	256,790	266,653	229,731	18
<b>Total Plant Non-Specific Operations</b>	<b>290,008</b>	<b>284,720</b>	<b>284,373</b>	<b>299,156</b>	<b>275,082</b>	<b>19</b>
Marketing Expense	16,691	16,323	22,834	16,006	8,797	20
Services Expense	156,420	183,799	163,369	179,149	182,997	21
<b>Total Customer Operations</b>	<b>173,111</b>	<b>200,122</b>	<b>186,203</b>	<b>195,155</b>	<b>191,794</b>	<b>22</b>
Executive & Planning	291,081	296,249	294,693	283,310	275,373	23
General & Administrative	271,042	239,665	290,156	267,362	223,618	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>562,123</b>	<b>535,914</b>	<b>584,849</b>	<b>550,672</b>	<b>498,991</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>1,700,349</b>	<b>1,633,623</b>	<b>1,596,952</b>	<b>1,525,971</b>	<b>1,486,133</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	88,744	81,099	80,199	87,943	96,375	31
<b>Net Operating Income Before FIT</b>	<b>64,081</b>	<b>68,446</b>	<b>77,485</b>	<b>181,269</b>	<b>279,425</b>	<b>32</b>
Investment Tax Credits - Net		2,724	2,971	3,226	3,795	33
Federal Income Taxes	9,500	8,130	16,824	44,500	64,500	34
Provision - Def. Operating Income Taxes - Net	(31,007)	(17,834)	(32,461)	(37,228)	(17,045)	35
<b>Net Operating Income</b>	<b>\$85,588</b>	<b>\$80,874</b>	<b>\$96,093</b>	<b>\$177,223</b>	<b>\$235,765</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$85,588	\$80,874	\$96,093	\$177,223	\$235,765
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	21,295	18,935	8,077	3,321	6,024
39 Interest Income	458	205	388	1,004	2,198
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	52,873	(358,808)	(408,862)	(214,484)	(122,748)
44 Other Non-Operating Income					67,126
45 Special Charges	(9,574)	(3,209)	(16,405)	(8,448)	3,795
46 Total Non-Operating Income & Expenses	84,200	(336,459)	(383,992)	(201,711)	(51,195)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	7,500	6,500	(474)	(475)	(475)
48 Other					
49 Total Non-Operating Taxes	7,500	6,500	(474)	(475)	(475)
50 Income Available Before Interest Charges	162,288	(262,085)	(287,425)	(24,013)	185,045
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	64,021	69,827	75,216	80,256	84,926
52 Other Interest Expense	18,120	23,249	31,931	36,810	36,049
53 Total Interest Charges	82,141	93,076	107,147	117,066	120,975
54 Income Before Extraordinary & Nonreg Items	80,147	(355,161)	(394,572)	(141,079)	64,070
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$80,147	(\$355,161)	(\$394,572)	(\$141,079)	\$64,070
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,695,563	\$1,716,311	\$1,702,021	\$1,628,616	\$1,447,798
60 Transferred from Income	27,274	3,647	14,290	73,405	186,818
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	18,000				6,000
64 Adjustments	77,436	(24,395)			
65 Ending Year Balance	1,782,273	1,695,563	1,716,311	1,702,021	1,628,616
66 Appropriated/Undistr Affiliate Retained Earnings	1,615,951	1,563,078	1,921,886	2,330,748	2,545,232
67 <b>Total Retained Earnings</b>	\$3,398,224	\$3,258,641	\$3,638,197	\$4,032,769	\$4,173,848

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$815,032	\$797,164	\$651,304	\$315,764	\$712,942
2 Accounts Receivable (Net)	343,236	479,674	528,359	444,489	652,134
3 Current Deferred Income Taxes	2,046	1,647	1,291	936	
4 Other Current Assets	1,988,752	1,948,541	2,261,037	1,605,844	1,017,399
5 Total Current Assets	3,149,066	3,227,026	3,441,991	2,367,033	2,382,475
<b>NON-CURRENT ASSETS</b>					
6 Investments	2,279,893	2,238,759	3,039,113	3,349,081	3,280,659
7 Unamortized Debt Issuance Costs	6,006	6,519	7,033	7,547	8,060
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	22,193	9,491	15,177	21,687	28,732
11 Other Non-Current Assets	662,763	581,283	582,938	559,057	389,849
12 Total Non-Current Assets	2,970,855	2,836,052	3,644,261	3,937,372	3,707,300
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	10,144,929	9,900,987	9,846,470	9,431,785	9,021,646
14 Less: Accumulated Depr and Amort.	6,968,894	6,379,498	5,962,780	5,379,127	4,874,654
15 Net Regulated Plant	3,176,035	3,521,489	3,883,690	4,052,658	4,146,992
16 Total Assets & Other Debits	\$9,295,956	\$9,584,567	\$10,969,942	\$10,357,063	\$10,236,767
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$110,320	\$180,973	\$142,577	\$189,249	\$178,186
18 Notes Payable	375,000	375,000	575,000		
19 Advanced Billings	21,990	54,119	15,618	17,142	18,603
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	207,583	189,047	284,952	174,150	270,194
24 Total Current Liabilities	714,893	799,139	1,018,147	380,541	466,983
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	627,941	758,593	879,054	990,309	1,093,036
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	7,475	18,425	29,462	42,099	55,773
27 Non-Current Deferred Taxes	354,084	347,622	694,470	788,233	902,916
28 Other Deferred Credits	104,126	96,647	143,286	190,752	237,044
29 Other Jurisdictional Differences - Net					
30 Other Liabilities			74,031	144,444	208,740
31 Total Other Liab. and Def. Credits	465,685	462,694	941,249	1,165,528	1,404,473
<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	112,705	57,331	699,498	722,037	868,837
35 Retained Earnings	7,244,732	7,376,810	7,301,994	6,968,648	6,273,438
36 Total Stockholder's Equity	7,487,437	7,564,141	8,131,492	7,820,685	7,272,275
37 Total Liab. and Stockholder's Equity	\$9,295,956	\$9,584,567	\$10,969,942	\$10,357,063	\$10,236,767

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$643,065	\$638,612	\$619,010	\$607,724	\$616,027	1
Network Access Services	2,063,863	2,165,117	1,860,447	1,578,227	1,537,591	2
Long Distance Network Services				626,943	506,892	3
Miscellaneous Revenues	441,977	320,311	578,638	358,252	389,310	4
Less: Uncollectible Revenues	1,200	1,200	1,200	1,200	1,200	5
<b>Total Operating Revenues</b>	<b>3,147,705</b>	<b>3,122,840</b>	<b>3,056,895</b>	<b>3,169,946</b>	<b>3,048,620</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	6,195	8,178	9,845	16,031	13,091	7
General Support Expenses	102,164	103,446	103,631	102,149	102,298	8
Central Office Switching	100,094	156,601	98,010	108,678	156,352	9
Operator Systems Expense						10
Central Office Transmission	60,284	51,271	46,107	42,270	28,855	11
Info. Origination/Termination	21,734	24,926	27,802	34,734	39,251	12
Cable & Wire Facilities	207,499	171,986	176,866	168,201	156,990	13
<b>Total Plant Specific Operations</b>	<b>497,970</b>	<b>516,408</b>	<b>462,261</b>	<b>472,063</b>	<b>496,837</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	142,157	141,956	171,992	117,221	124,855	16
Access Expense	32,878	20,904	4,476	5,608	10,987	17
Depreciation and Amortization	606,729	644,903	632,000	596,388	602,453	18
<b>Total Plant Non-Specific Operations</b>	<b>781,764</b>	<b>807,763</b>	<b>808,468</b>	<b>719,217</b>	<b>738,295</b>	<b>19</b>
Marketing Expense	20,437	23,372	15,165	11,141	11,899	20
Services Expense	430,966	364,718	330,722	354,603	332,599	21
<b>Total Customer Operations</b>	<b>451,403</b>	<b>388,090</b>	<b>345,887</b>	<b>365,744</b>	<b>344,498</b>	<b>22</b>
Executive & Planning	481,080	474,023	459,118	414,160	386,054	23
General & Administrative	493,418	468,859	497,571	546,713	520,421	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>974,498</b>	<b>942,882</b>	<b>956,689</b>	<b>960,873</b>	<b>906,475</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,705,635</b>	<b>2,655,143</b>	<b>2,573,305</b>	<b>2,517,897</b>	<b>2,486,105</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	144,375	142,803	139,698	121,163	163,824	31
<b>Net Operating Income Before FIT</b>	<b>297,695</b>	<b>324,894</b>	<b>343,892</b>	<b>530,886</b>	<b>398,691</b>	<b>32</b>
Investment Tax Credits - Net	10,950	11,037	12,637	13,674	14,380	33
Federal Income Taxes	119,466	134,105	125,227	210,651	142,555	34
Provision - Def. Operating Income Taxes - Net	(77,334)	(85,811)	(69,763)	(81,994)	(104,316)	35
<b>Net Operating Income</b>	<b>\$266,513</b>	<b>\$287,637</b>	<b>\$301,065</b>	<b>\$415,903</b>	<b>\$374,832</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$266,513	\$287,637	\$301,065	\$415,903	\$374,832
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	167	93			3,571
39 Interest Income	7,436	18,746	33,921	37,803	50,385
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	(224,175)	(162,607)	34,871	(3,670)	(25,392)
44 Other Non-Operating Income	(65,919)	75,789	171,067	312,023	111,659
45 Special Charges	93,118	43,338	47,846	12,702	18,224
46 Total Non-Operating Income & Expenses	(375,609)	(97,703)	192,013	333,454	121,999
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(16,515)	64,214	95,952	(24,141)	64,238
48 Other					
49 Total Non-Operating Taxes	(16,515)	64,214	95,952	(24,141)	64,238
50 Income Available Before Interest Charges	(92,581)	125,720	397,126	773,498	432,593
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	38,879	49,419	58,676	67,053	75,111
52 Other Interest Expense	618	1,485	5,104	11,235	16,021
53 Total Interest Charges	39,497	50,904	63,780	78,288	91,132
54 Income Before Extraordinary & Nonreg Items	(132,078)	74,816	333,346	695,210	341,461
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$132,078)	\$74,816	\$333,346	\$695,210	\$341,461
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$7,678,750	\$7,827,796	\$7,529,321	\$6,830,441	\$6,463,588
60 Transferred from Income	92,097	237,423	298,475	698,880	366,853
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments		(386,469)			
65 Ending Year Balance	7,770,847	7,678,750	7,827,796	7,529,321	6,830,441
66 Appropriated/Undistr Affiliate Retained Earnings	(526,115)	(301,940)	(525,802)	(560,673)	(557,003)
67 <b>Total Retained Earnings</b>	\$7,244,732	\$7,376,810	\$7,301,994	\$6,968,648	\$6,273,438

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$3,496,122	\$2,859,600	\$2,937,603	\$2,491,809	\$2,593,260
2 Accounts Receivable (Net)	754,952	819,610	936,228	1,021,325	956,235
3 Current Deferred Income Taxes	7,077	5,812	4,557	3,357	2,252
4 Other Current Assets	270,542	261,319	276,480	224,064	340,250
5 Total Current Assets	4,528,693	3,946,341	4,154,868	3,740,555	3,891,997
<b>NON-CURRENT ASSETS</b>					
6 Investments	2,528,450	2,578,358	3,558,041	3,834,769	4,323,922
7 Unamortized Debt Issuance Costs	9,993	10,696	11,399	12,102	12,805
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	279,959	193,046	154,339	160,246	163,705
11 Other Non-Current Assets	1,416,690	1,567,489	1,378,099	1,203,784	1,034,253
12 Total Non-Current Assets	4,235,092	4,349,589	5,101,878	5,210,901	5,534,685
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	18,849,416	18,283,968	17,455,745	17,098,564	16,533,802
14 Less: Accumulated Depr and Amort.	11,676,779	10,445,971	9,326,760	8,531,492	7,646,382
15 Net Regulated Plant	7,172,637	7,837,997	8,128,985	8,567,072	8,887,420
16 Total Assets & Other Debits	\$15,936,422	\$16,133,927	\$17,385,731	\$17,518,528	\$18,314,102
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$387,930	\$395,114	\$445,293	\$396,242	\$356,864
18 Notes Payable					
19 Advanced Billings				(104)	
20 Customer Deposits					
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	1,678,157	22,756	85,906	59,651	153,316
24 Total Current Liabilities	2,066,087	417,870	531,199	455,789	510,180
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,701,932	2,907,745	3,102,584	3,287,136	3,461,756
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		5,227	10,782	22,250	33,718
27 Non-Current Deferred Taxes	596,850	607,869	861,087	1,008,612	1,277,740
28 Other Deferred Credits	247,825	22,648	86,065	195,279	304,772
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	398,100	337,600	347,600	357,600	360,400
31 Total Other Liab. and Def. Credits	1,242,775	973,344	1,305,534	1,583,741	1,976,630
<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	(486,697)	(536,740)		62,146	507,711
35 Retained Earnings	10,348,125	12,307,508	12,382,214	12,065,516	11,793,625
36 Total Stockholder's Equity	9,925,628	11,834,968	12,446,414	12,191,862	12,365,536
37 Total Liab. and Stockholder's Equity	\$15,936,422	\$16,133,927	\$17,385,731	\$17,518,528	\$18,314,102

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,141,456	\$977,696	\$963,190	\$949,740	\$914,428	1
Network Access Services	3,426,589	3,323,349	3,283,542	2,933,676	3,078,542	2
Long Distance Network Services						3
Miscellaneous Revenues	667,004	666,528	748,061	924,652	926,907	4
Less: Uncollectible Revenues	13,100	125,600	3,600	9,195	2,925	5
<b>Total Operating Revenues</b>	<b>5,221,949</b>	<b>4,841,973</b>	<b>4,991,193</b>	<b>4,798,873</b>	<b>4,916,952</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	28,431	35,497	35,531	39,730	18,955	7
General Support Expenses	208,465	212,325	232,113	238,194	199,311	8
Central Office Switching	223,648	192,916	161,020	189,991	140,429	9
Operator Systems Expense						10
Central Office Transmission	124,855	108,218	143,472	73,582	12,527	11
Info. Origination/Termination	33,042	20,782	21,041	28,539	23,687	12
Cable & Wire Facilities	333,911	246,703	215,415	297,824	270,579	13
<b>Total Plant Specific Operations</b>	<b>952,352</b>	<b>816,441</b>	<b>808,592</b>	<b>867,860</b>	<b>665,488</b>	<b>14</b>
Other Plant, Property & Equipment	5,626	5,771	4,365	2,977	7,216	15
Network Operations	208,885	191,303	195,407	178,351	167,825	16
Access Expense	55,471	36,720	21,416	17,871	17,438	17
Depreciation and Amortization	1,331,003	1,260,520	1,198,708	1,120,886	1,078,490	18
<b>Total Plant Non-Specific Operations</b>	<b>1,600,985</b>	<b>1,494,314</b>	<b>1,419,896</b>	<b>1,320,085</b>	<b>1,270,969</b>	<b>19</b>
Marketing Expense	32,088	29,081	16,961	12,445	12,617	20
Services Expense	527,549	524,707	581,469	615,843	582,418	21
<b>Total Customer Operations</b>	<b>559,637</b>	<b>553,788</b>	<b>598,430</b>	<b>628,288</b>	<b>595,035</b>	<b>22</b>
Executive & Planning	578,515	554,503	549,906	508,555	493,779	23
General & Administrative	803,746	788,739	647,150	551,394	572,558	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,382,261</b>	<b>1,343,242</b>	<b>1,197,056</b>	<b>1,059,949</b>	<b>1,066,337</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>4,495,235</b>	<b>4,207,785</b>	<b>4,023,974</b>	<b>3,876,182</b>	<b>3,597,829</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	300,742	279,265	268,962	285,920	327,384	31
<b>Net Operating Income Before FIT</b>	<b>425,972</b>	<b>354,923</b>	<b>698,257</b>	<b>636,771</b>	<b>991,739</b>	<b>32</b>
Investment Tax Credits - Net	5,227	5,555	11,468	11,468	11,468	33
Federal Income Taxes	67,902	33,639	168,451	199,722	283,047	34
Provision - Def. Operating Income Taxes - Net	(48,350)	(45,077)	(169,904)	(148,760)	(166,530)	35
<b>Net Operating Income</b>	<b>\$411,647</b>	<b>\$371,916</b>	<b>\$711,178</b>	<b>\$597,277</b>	<b>\$886,690</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$411,647	\$371,916	\$711,178	\$597,277	\$886,690
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	7,266	8,818	17,364	2,571	3,361
39 Interest Income	53,164	73,815	112,116	140,704	165,669
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	13,375	(52,594)	(19,319)	(63,252)	(104,870)
44 Other Non-Operating Income	(139,106)	(119,010)	(190,418)	(24,185)	(30,247)
45 Special Charges	236,657	54,351	64,291	55,649	55,131
46 Total Non-Operating Income & Expenses	(301,958)	(143,322)	(144,548)	189	(21,218)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes		3,423	(60,297)	5,345	30,566
48 Other					
49 Total Non-Operating Taxes	(1,799)	3,423	(60,297)	5,345	30,566
50 Income Available Before Interest Charges	111,488	225,171	626,927	592,121	834,906
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	178,985	190,034	200,387	210,386	219,646
52 Other Interest Expense	703	703	703	703	703
53 Total Interest Charges	179,688	190,737	201,090	211,089	220,349
54 Income Before Extraordinary & Nonreg Items	(68,200)	34,434	425,837	381,032	614,557
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$68,200)	\$34,434	\$425,837	\$381,032	\$614,557
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$13,209,653	\$13,231,765	\$12,895,749	\$12,560,605	\$12,017,601
60 Transferred from Income	(81,575)	87,028	445,156	444,284	719,427
61 Appropriations					160,900
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	1,590,555	109,140	109,140	109,140	15,522
64 Adjustments	(300,628)				
65 Ending Year Balance	11,236,895	13,209,653	13,231,765	12,895,749	12,560,606
66 Appropriated/Undistr Affiliate Retained Earnings	(888,771)	(902,146)	(849,552)	(830,233)	(766,981)
67 <b>Total Retained Earnings</b>	\$10,348,124	\$12,307,507	\$12,382,213	\$12,065,516	\$11,793,625

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$417,323,246	\$554,860,952	\$535,232,112	\$388,333,411	\$418,059,916
2 Accounts Receivable (Net)	1,298,440,854	1,744,695,280	2,018,158,213	1,789,388,818	1,721,327,922
3 Current Deferred Income Taxes	330,695,656	330,695,656	330,695,658	330,695,658	330,695,658
4 Other Current Assets	355,210,241	520,300,136	396,736,992	355,276,842	263,456,832
5 Total Current Assets	2,401,669,998	3,150,552,025	3,280,822,975	2,863,694,729	2,733,540,328
<b>NON-CURRENT ASSETS</b>					
6 Investments	346,314,547	339,498,428	335,640,275	333,172,832	336,444,602
7 Unamortized Debt Issuance Costs	60,845,263	104,653,422	130,823,790	139,719,048	149,246,560
8 Deferred Charges	663,791,200	699,240,464	728,408,742	750,869,609	410,906,439
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	1,610,486,098	1,610,486,098	1,610,486,100	1,621,023,205	1,636,706,448
11 Other Non-Current Assets	590,429,393	323,720,868	31,876,232	30,418,957	22,171,336
12 Total Non-Current Assets	3,271,866,500	3,077,599,280	2,837,235,139	2,875,203,652	2,555,475,386
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	29,402,800,831	28,763,731,388	27,719,127,498	25,853,385,309	24,123,026,113
14 Less: Accumulated Depr and Amort.	17,018,380,386	16,134,687,615	14,676,573,533	13,157,772,327	11,823,447,703
15 Net Regulated Plant	12,384,420,445	12,629,043,772	13,042,553,964	12,695,612,982	12,299,578,410
16 <b>Total Assets &amp; Other Debits</b>	<b>\$18,057,956,943</b>	<b>\$18,857,195,077</b>	<b>\$19,160,612,079</b>	<b>\$18,434,511,362</b>	<b>\$17,588,594,124</b>
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$1,966,328,646	\$1,756,044,346	\$5,749,026,592	\$5,214,402,931	\$3,664,720,141
18 Notes Payable	2,047,301,830	2,118,991,942	(293,393,397)	(1,140,835,155)	(256,626,520)
19 Advanced Billings	194,165,577	206,443,706	193,103,187	186,675,575	178,428,056
20 Customer Deposits	9,457,968	6,554,746	7,260,921	9,307,675	12,449,017
21 Current Maturities - Long-Term Debt	150,927,624	350,599,661	2,629,900	3,029,900	72,893,322
22 Current Deferred Income Taxes	389,362,615	519,046,835	524,859,366	584,737,602	605,062,377
23 Other Current Liabilities	968,037,225	1,132,837,679	993,081,079	790,253,913	431,990,562
24 Total Current Liabilities	5,725,581,486	6,090,518,916	7,176,567,648	5,647,572,441	4,708,916,955
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,789,734,370	4,135,076,018	3,195,962,366	3,619,114,062	3,619,798,365
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	87,775,509	90,801,717	96,897,974	106,479,557	117,003,592
27 Non-Current Deferred Taxes	2,042,553,119	1,620,923,715	1,859,866,673	2,005,266,524	2,070,810,584
28 Other Deferred Credits	692,252,369	756,938,515	940,296,478	872,791,264	549,993,445
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	3,873,116,837	3,676,872,858	2,384,084,229	2,235,747,922	2,466,821,669
31 Total Other Liab. and Def. Credits	6,695,697,835	6,145,536,805	5,281,145,354	5,220,285,268	5,204,629,290
<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	0				
34 Other Paid in Capital	1,563,034,548	1,562,282,886	1,562,282,886	1,584,096,902	1,791,191,429
35 Retained Earnings	282,908,705	922,780,450	1,943,653,824	2,362,442,688	2,263,058,085
36 Total Stockholder's Equity	1,846,943,253	2,486,063,336	3,506,936,711	3,947,539,590	4,055,249,514
37 <b>Total Liab. and Stockholder's Equity</b>	<b>\$18,057,956,943</b>	<b>\$18,857,195,075</b>	<b>\$19,160,612,079</b>	<b>\$18,434,511,362</b>	<b>\$17,588,594,124</b>

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$3,501,267,825	\$3,926,332,145	\$3,977,234,582	\$4,658,056,736	\$5,036,976,711	1
Network Access Services	2,180,495,052	2,246,121,864	2,262,081,058	2,250,647,007	2,293,036,155	2
Long Distance Network Services	203,044,244	177,393,958	194,552,060	215,610,074	239,192,945	3
Miscellaneous Revenues	1,226,463,025	1,293,046,426	1,378,994,068	954,220,816	478,292,915	4
Less: Uncollectible Revenues	188,327,109	334,028,454	358,805,666	220,320,199	114,958,697	5
<b>Total Operating Revenues</b>	<b>6,922,943,037</b>	<b>7,308,865,938</b>	<b>7,454,056,102</b>	<b>7,858,214,435</b>	<b>7,932,540,028</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	10,433,721	9,669,049	7,377,464	3,112,731	2,050,243	7
General Support Expenses	413,297,187	387,567,239	372,078,149	430,509,062	405,116,285	8
Central Office Switching	216,210,784	222,488,225	245,808,359	221,633,710	228,655,874	9
Operator Systems Expense	458,277	667,709	434,128	157,187	220,796	10
Central Office Transmission	114,535,630	111,273,278	127,138,496	112,291,499	117,235,785	11
Info. Origination/Termination	286,861,301	243,396,880	250,764,462	265,393,117	300,239,809	12
Cable & Wire Facilities	951,062,052	816,485,658	821,079,958	969,232,869	917,004,460	13
<b>Total Plant Specific Operations</b>	<b>1,992,858,952</b>	<b>1,791,548,037</b>	<b>1,824,681,016</b>	<b>2,002,330,174</b>	<b>1,970,523,252</b>	<b>14</b>
Other Plant, Property & Equipment	7,759,606	2,178,272	3,203,519	39,392,087	(65,123)	15
Network Operations	816,734,549	657,463,656	705,863,978	688,590,895	619,610,250	16
Access Expense	158,872,026	219,789,450	342,635,752	401,138,228	372,504,932	17
Depreciation and Amortization	2,153,299,570	2,155,679,557	2,015,837,253	1,988,118,118	1,834,099,240	18
<b>Total Plant Non-Specific Operations</b>	<b>3,136,665,751</b>	<b>3,035,110,935</b>	<b>3,067,540,502</b>	<b>3,117,239,328</b>	<b>2,826,149,299</b>	<b>19</b>
Marketing Expense	290,555,549	293,856,121	311,428,340	344,161,456	354,243,089	20
Services Expense	671,706,370	589,947,025	594,871,602	611,110,960	654,081,355	21
<b>Total Customer Operations</b>	<b>962,261,920</b>	<b>883,803,146</b>	<b>906,299,943</b>	<b>955,272,415</b>	<b>1,008,324,444</b>	<b>22</b>
Executive & Planning	50,534,063	50,611,650	58,263,469	36,747,081	35,189,674	23
General & Administrative	1,870,511,059	1,502,982,482	1,462,813,636	1,017,169,627	1,216,084,489	24
Provision - Uncollectible Notes Rec.	66	26	(5,095)			25
Other						26
<b>Total Corporate Operations</b>	<b>1,921,045,187</b>	<b>1,553,594,158</b>	<b>1,521,072,009</b>	<b>1,053,916,708</b>	<b>1,251,274,163</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>8,012,831,809</b>	<b>7,264,056,277</b>	<b>7,319,593,469</b>	<b>7,128,758,625</b>	<b>7,056,271,158</b>	<b>28</b>
Other Operating Income & Expenses	(9,898,489)	(4,213,759)	8,304,679	574,542	19,590,908	29
State & Local Income Taxes	(142,869)	(86,206)	(238,683)	(268,149)	(43,745)	30
Other Taxes	669,934,466	575,184,402	540,248,500	612,776,348	691,883,963	31
<b>Net Operating Income Before FIT</b>	<b>(1,769,578,858)</b>	<b>(534,502,293)</b>	<b>(397,242,506)</b>	<b>117,522,153</b>	<b>204,019,560</b>	<b>32</b>
Investment Tax Credits - Net	3,026,208	6,096,257	9,581,583	10,524,035	11,874,887	33
Federal Income Taxes	(562,813,469)	(255,441,180)	(24,415,301)	104,107,975	155,187,772	34
Provision - Def. Operating Income Taxes - Net	(112,017,582)	43,128,778	(204,307,345)	(71,889,775)	(75,886,446)	35
<b>Net Operating Income</b>	<b>(\$1,091,721,598)</b>	<b>(\$316,093,634)</b>	<b>(\$158,938,277)</b>	<b>\$95,827,989</b>	<b>\$136,593,121</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	(\$1,091,721,598)	(\$316,093,634)	(\$158,938,277)	\$95,827,989	\$136,593,121
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	7,277,249	16,397,658	88,342,552	63,000,259	13,030,885
40 Income - Sinking and Other Funds	0				
41 Allowance for Funds Used During Construction	12,275,118	29,361,097	41,404,700	47,750,765	28,832,164
42 Gains/Losses - Disposal of Property	(14,484)	(1,930)	6,712		606,699
43 Equity in Earnings of Affiliated Companies	45,716,898	75,465,326	33,313,174	54,400,978	47,550,924
44 Other Non-Operating Income	70,659,139	(3,896,042)	(215,773,179)	(25,425,545)	455,427,292
45 Special Charges	9,848,682	12,685,609	15,113,900	15,091,718	11,907,308
46 Total Non-Operating Income & Expenses	126,065,238	104,640,500	(67,819,942)	124,634,738	533,540,656
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	31,616,684	7,991,872	29,291,051	10,210,285	156,858,779
48 Other	5,860,665	5,787,867	3,516,142	1,212,600	10,588,183
49 Total Non-Operating Taxes	37,477,349	13,779,739	32,807,193	11,422,885	167,446,961
50 Income Available Before Interest Charges	(1,003,133,709)	(225,232,873)	(259,565,412)	209,039,842	502,686,816
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	295,354,786	285,340,325	237,640,725	246,121,140	250,211,668
52 Other Interest Expense	71,938,035	85,553,796	130,090,033	175,212,310	91,298,936
53 Total Interest Charges	367,292,821	370,894,121	367,730,757	421,333,450	341,510,604
54 Income Before Extraordinary & Nonreg Items	(1,370,426,530)	(596,126,994)	(627,296,169)	(212,293,608)	161,176,212
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items	(453,043,004)	86,688	9,398,412		(2,751,759)
56 Nonregulated Revenues	225,260,602	284,395,233	283,901,811	310,842,888	311,460,027
57 Total Extraordinary & Nonregulated Items	(227,782,402)	284,481,921	293,300,223	310,842,888	308,708,268
58 <b>Net Income</b>	(\$1,598,208,932)	(\$311,645,073)	(\$333,995,945)	\$98,549,280	\$469,884,480

**RETAINED EARNINGS STATEMENT**

Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$920,743,548	\$1,956,748,318	\$2,346,904,005	\$2,248,294,316	\$1,782,243,182
60 Transferred from Income	(672,622,891)	(326,949,845)	(324,159,592)	97,774,365	468,156,228
61 Appropriations	0				
Dividends Declared:					
62 Preferred Stock	0				
63 Common Stock	180,000,000	190,000,000	66,000,000		
64 Adjustments	232,251,179	(519,054,925)	3,905	835,324	(2,105,094)
65 Ending Year Balance	300,371,836	920,743,548	1,956,748,318	2,346,904,005	2,248,294,316
66 Appropriated/Undistr Affiliate Retained Earnings	(17,463,132)	2,036,901	(13,094,494)	15,538,684	14,763,769
67 <b>Total Retained Earnings</b>	\$282,908,704	\$922,780,449	\$1,943,653,823	\$2,362,442,688	\$2,263,058,085

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$101,227	\$129,906	\$80,742	\$86,375	\$167,581
2 Accounts Receivable (Net)	308,423	281,233	367,716	456,522	385,717
3 Current Deferred Income Taxes					
4 Other Current Assets	169,850	188,415	187,618	181,194	195,850
5 Total Current Assets	579,500	599,554	636,076	724,091	749,148
<b>NON-CURRENT ASSETS</b>					
6 Investments	4,345,136	3,885,083	439,833	328,874	15,460,209
7 Unamortized Debt Issuance Costs	11,109	12,295	13,482	14,669	15,856
8 Deferred Charges	33,564	23,124	2,504	4,862	26,595
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	136,726	73,917	72,779	99,936	119,060
11 Other Non-Current Assets	2,600				13,211
12 Total Non-Current Assets	4,529,135	3,994,419	528,598	448,341	15,634,931
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	9,855,222	9,496,419	9,444,349	9,086,019	8,801,599
14 Less: Accumulated Depr and Amort.	5,369,557	4,900,806	4,746,396	4,383,590	4,081,310
15 Net Regulated Plant	4,485,665	4,595,613	4,697,953	4,702,428	4,720,289
16 Total Assets & Other Debits	\$9,594,300	\$9,189,586	\$5,862,627	\$5,874,860	\$21,104,368
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$129,937	\$177,687	\$144,847	\$101,314	\$117,419
18 Notes Payable		3,696	6,854	6,821	
19 Advanced Billings	10,053	9,088	9,252	10,518	13,059
20 Customer Deposits	1,645	1,770	1,770	1,895	2,495
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	84,544	(11,072)	68,125	141,494	159,051
24 Total Current Liabilities	226,179	181,169	230,848	262,042	292,024
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,426,926	1,549,842	1,670,852	1,790,211	1,889,317
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		4,066	5,779	9,119	13,496
27 Non-Current Deferred Taxes	493,833	452,606	383,390	364,488	378,377
28 Other Deferred Credits	152,526	181,640	209,955	252,735	302,489
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	333,612	213,338	208,276	284,673	336,678
31 Total Other Liab. and Def. Credits	979,971	851,650	807,400	911,015	1,031,040
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	119,650	119,650	119,650	119,650	119,650
33 Preferred Stock	86,000	88,100	93,100	93,200	93,400
34 Other Paid in Capital					
35 Retained Earnings	6,755,574	6,399,175	2,940,777	2,698,742	17,678,937
36 Total Stockholder's Equity	6,961,224	6,606,925	3,153,527	2,911,592	17,891,987
37 Total Liab. and Stockholder's Equity	\$9,594,300	\$9,189,586	\$5,862,627	\$5,874,860	\$21,104,368

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$848,585	\$786,918	\$870,157	\$935,457	\$990,188	1
Network Access Services	1,025,731	965,726	968,205	931,228	970,905	2
Long Distance Network Services	102,679	79,564	(27,458)	109,266	362,856	3
Miscellaneous Revenues	864,961	1,061,139	1,124,718	1,079,395	975,533	4
Less: Uncollectible Revenues	3,000	1,750		250	3,000	5
<b>Total Operating Revenues</b>	<b>2,838,956</b>	<b>2,891,597</b>	<b>2,935,622</b>	<b>3,055,096</b>	<b>3,296,482</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses						7
General Support Expenses	1,245	125,251	114,616	100,764	84,722	8
Central Office Switching	120,690	206,384	181,934	153,334	156,592	9
Operator Systems Expense	204,781					10
Central Office Transmission		42,085	27,191	33,716	23,987	11
Info. Origination/Termination	34,381	97,784	57,502	97,662	93,116	12
Cable & Wire Facilities	78,108	159,494	184,768	169,489	144,801	13
	178,684					
<b>Total Plant Specific Operations</b>	<b>439,205</b>	<b>630,998</b>	<b>566,011</b>	<b>554,965</b>	<b>503,218</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	82,808	77,040	72,904	78,213	113,024	16
Access Expense	23,170	14,224	6,444	4,067	11,907	17
Depreciation and Amortization	509,923	521,813	532,770	517,328	457,024	18
<b>Total Plant Non-Specific Operations</b>	<b>615,901</b>	<b>613,077</b>	<b>612,118</b>	<b>599,608</b>	<b>581,955</b>	<b>19</b>
Marketing Expense	14,177	12,840	37,339	23,627	54,218	20
Services Expense	429,251	415,819	407,616	423,801	381,343	21
<b>Total Customer Operations</b>	<b>443,428</b>	<b>428,659</b>	<b>444,955</b>	<b>447,428</b>	<b>435,561</b>	<b>22</b>
Executive & Planning	532,546	414,393	431,960	478,548	453,980	23
General & Administrative	461,073	530,299	480,495	539,993	488,671	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>993,619</b>	<b>944,692</b>	<b>912,455</b>	<b>1,018,541</b>	<b>942,651</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,492,153</b>	<b>2,617,426</b>	<b>2,535,539</b>	<b>2,620,542</b>	<b>2,463,385</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	169,810	164,926	109,797	218,350	181,516	31
<b>Net Operating Income Before FIT</b>	<b>176,993</b>	<b>109,245</b>	<b>290,286</b>	<b>216,204</b>	<b>651,581</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	(9,005)	(72,795)	18,854	27,673	12,810	34
Provision - Def. Operating Income Taxes - Net	(50,696)	39,763	3,279	(23,939)	155,266	35
<b>Net Operating Income</b>	<b>\$236,694</b>	<b>\$142,277</b>	<b>\$268,153</b>	<b>\$212,470</b>	<b>\$483,505</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$236,694	\$142,277	\$268,153	\$212,470	\$483,505
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	21,378	18,438	18,603	7,486	
39 Interest Income	186	472	1,943	1,254	1,255
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	339,779	3,440,188	87,147	831,597	11,909,374
44 Other Non-Operating Income	65,274	(49,938)	(31,188)	96,367	10,159
45 Special Charges	6,379	5,861	4,988	9,509	3,268
46 Total Non-Operating Income & Expenses	420,238	3,403,299	71,517	927,195	11,917,520
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	23,290	(16,651)	(11,386)	(12,690)	4,119
48 Other					
49 Total Non-Operating Taxes	23,290	(16,651)	(11,386)	(12,690)	4,119
50 Income Available Before Interest Charges	633,642	3,562,227	351,056	1,152,355	12,396,906
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	92,120	97,174	101,966	106,554	110,754
52 Other Interest Expense	1,276	1,351	1,469	3,372	22,596
53 Total Interest Charges	93,396	98,525	103,435	109,926	133,350
54 Income Before Extraordinary & Nonreg Items	540,246	3,463,702	247,621	1,042,429	12,263,556
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$540,246	\$3,463,702	\$247,621	\$1,042,429	\$12,263,556
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$2,854,676	\$2,836,466	\$2,681,578	\$5,745,683	\$5,411,477
60 Transferred from Income	21,783	23,514	160,474	210,832	354,182
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	5,163	5,304	5,586	5,592	5,604
63 Common Stock					14,372
64 Adjustments				(3,269,345)	
65 Ending Year Balance	2,871,296	2,854,676	2,836,466	2,681,578	5,745,683
66 Appropriated/Undistr Affiliate Retained Earnings	3,884,278	3,544,499	104,311	17,164	11,933,254
67 <b>Total Retained Earnings</b>	\$6,755,574	\$6,399,175	\$2,940,777	\$2,698,742	\$17,678,937

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$390,053	\$297,949	\$287,208	\$84,949	\$108,434
2 Accounts Receivable (Net)	875,113	721,846	422,647	673,694	465,089
3 Current Deferred Income Taxes					
4 Other Current Assets	209,542	174,737	199,739	215,799	180,837
5 Total Current Assets	1,474,708	1,194,532	909,593	974,442	754,360
<b>NON-CURRENT ASSETS</b>					
6 Investments	945,503	1,225,125	1,605,391	2,132,219	2,684,729
7 Unamortized Debt Issuance Costs	14,725	15,844	16,963	18,081	19,200
8 Deferred Charges	11,382	11,382	11,382	11,382	11,382
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	27,778	24,242	20,060	20,060	20,060
11 Other Non-Current Assets	254,148	195,440	174,789	152,183	108,083
12 Total Non-Current Assets	1,253,536	1,472,033	1,828,585	2,333,925	2,843,455
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	10,439,743	10,450,241	10,378,593	10,517,354	10,678,125
14 Less: Accumulated Depr and Amort.	6,568,791	5,979,824	5,502,229	5,052,334	4,780,424
15 Net Regulated Plant	3,870,952	4,470,417	4,876,364	5,465,020	5,897,701
16 Total Assets & Other Debits	\$6,599,196	\$7,136,982	\$7,614,542	\$8,773,387	\$9,495,516
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$112,720	\$298,204	\$93,782	\$179,544	\$268,661
18 Notes Payable	118,000	118,000	293,000	929,085	160,000
19 Advanced Billings					
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	162,763	154,423	147,923	139,996	131,581
22 Current Deferred Income Taxes					
23 Other Current Liabilities	171,225	152,069	223,178	223,934	19,108
24 Total Current Liabilities	564,708	722,696	757,883	1,472,559	579,350
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,747,463	2,913,340	3,067,035	3,214,222	3,353,822
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	(4,569)	3,373	11,315	19,256	27,199
27 Non-Current Deferred Taxes	303,283	324,103	311,120	404,812	650,008
28 Other Deferred Credits	202,358	168,913	168,913		
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	501,072	496,389	491,348	424,068	677,207
<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	(139,051)	(139,051)	(251,138)	54,100	504,754
35 Retained Earnings	2,784,004	3,002,608	3,408,413	3,467,439	4,239,383
36 Total Stockholder's Equity	2,785,953	3,004,557	3,298,276	3,662,539	4,885,137
37 Total Liab. and Stockholder's Equity	\$6,599,196	\$7,136,982	\$7,614,542	\$8,773,387	\$9,495,516

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$536,457	\$530,577	\$564,042	\$549,380	\$548,941	1
Network Access Services	2,790,443	2,734,910	2,527,815	2,764,990	2,695,695	2
Long Distance Network Services			(3)	(17)	165	3
Miscellaneous Revenues	345,807	336,151	381,422	258,124	642,590	4
Less: Uncollectible Revenues	9,424	6,285	7,789	15,568	3,249	5
Total Operating Revenues	3,663,283	3,595,353	3,465,488	3,556,909	3,884,143	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	15,319	14,927	9,836	12,718	11,142	7
General Support Expenses	308,553	279,614	258,673	265,292	238,088	8
Central Office Switching	211,587	220,861	251,967	154,654	144,662	9
Operator Systems Expense						10
Central Office Transmission	102,055	112,898	84,682	64,468	24,931	11
Info. Origination/Termination	31,055	47,428	74,510	57,580	86,913	12
Cable & Wire Facilities	132,419	177,412	163,576	197,303	128,750	13
Total Plant Specific Operations	800,989	853,140	843,243	752,015	634,486	14
Other Plant, Property & Equipment	7,696	29,155	22,861	4,293	(392)	15
Network Operations	231,256	278,980	224,734	173,661	150,994	16
Access Expense	14,185	10,362	(3,079)	4,362	85,519	17
Depreciation and Amortization	684,183	682,849	689,695	724,119	709,164	18
Total Plant Non-Specific Operations	937,321	1,001,347	934,211	906,435	945,285	19
Marketing Expense	103,743	114,680	106,030	101,283	52,915	20
Services Expense	302,659	339,448	348,541	345,966	427,363	21
Total Customer Operations	406,402	454,128	454,570	447,249	480,277	22
Executive & Planning	298,007	277,745	261,323	393,625	340,900	23
General & Administrative	578,390	631,647	657,405	882,476	860,854	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	876,398	909,392	918,728	1,276,101	1,201,754	27
Total Operations Expense	3,021,109	3,218,007	3,150,753	3,381,801	3,261,801	28
Other Operating Income & Expenses	(41,140)		(20,000)	(560)	(2,121)	29
State & Local Income Taxes						30
Other Taxes	180,068	175,876	174,705	189,259	256,801	31
<b>Net Operating Income Before FIT</b>	420,966	201,470	120,029	(14,711)	363,419	32
Investment Tax Credits - Net	7,789	7,789	7,789	7,789	7,789	33
Federal Income Taxes	96,035	(13,081)	(49,292)	81,123	63,749	34
Provision - Def. Operating Income Taxes - Net	(24,356)	(4,224)	(6,418)	(13,041)	(38,747)	35
<b>Net Operating Income</b>	\$357,076	\$226,565	\$183,529	(\$75,004)	\$346,207	36

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

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
37 <b>Net Operating Income</b>	\$357,076	\$226,565	\$183,529	(\$75,004)	\$346,207
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	8,034	5,670	767	398	3,027
39 Interest Income	(2,177)	4,459			382
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	(282,890)	(316,579)	(92,421)	(441,615)	(628,097)
44 Other Non-Operating Income	(117,615)		(384)	39,755	450
45 Special Charges	12,913	(14,427)	23,287	29,987	44,094
46 Total Non-Operating Income & Expenses	(408,018)	(476,454)	(115,325)	(431,449)	(668,331)
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(68,520)	(55,767)	(111,310)	10,814	(8,224)
48 Other	4,890	4,425	5,083	4,515	5,322
49 Total Non-Operating Taxes	(63,630)	(51,342)	(106,227)	15,329	(2,902)
50 Income Available Before Interest Charges	12,688	(198,547)	174,431	(521,781)	(319,223)
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	181,239	192,182	197,610	210,138	215,387
52 Other Interest Expense	41,671	6,694	27,385	32,794	17,121
53 Total Interest Charges	222,910	198,876	224,995	242,932	232,508
54 Income Before Extraordinary & Nonreg Items	(210,222)	(397,423)	(50,565)	(764,713)	(551,731)
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$210,222)	(\$397,423)	(\$50,565)	(\$764,713)	(\$551,731)
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$2,176,320	\$2,265,546	\$2,232,150	\$2,563,708	\$2,494,575
60 Transferred from Income	72,668	(80,844)	41,856	(323,098)	76,363
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	6,000	6,000	6,000	6,000	6,000
63 Common Stock	2,382	2,382	2,460	2,460	1,230
64 Adjustments					
65 Ending Year Balance	2,240,606	2,176,320	2,265,546	2,232,150	2,563,708
66 Appropriated/Undistr Affiliate Retained Earnings	543,399	826,289	1,142,868	1,235,289	1,675,675
67 <b>Total Retained Earnings</b>	\$2,784,005	\$3,002,609	\$3,408,414	\$3,467,439	\$4,239,383

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	(\$1,234)	(\$7,526)	(\$18)	\$3,378	\$140,929
2 Accounts Receivable (Net)	46,517,310	6,679,186	5,491,423	3,996,383	4,079,547
3 Current Deferred Income Taxes					
4 Other Current Assets	39,723	81,211	192,531	170,269	665,402
5 Total Current Assets	46,555,799	6,752,871	5,683,936	4,170,030	4,885,878
<b>NON-CURRENT ASSETS</b>					
6 Investments	414,835	416,420	680,759	684,618	1,259,519
7 Unamortized Debt Issuance Costs	76,370	86,630	98,376	109,140	119,904
8 Deferred Charges	864,800	823,012	823,015	1,026,867	1,258,753
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets	129,110	129,110			
12 Total Non-Current Assets	1,485,115	1,455,172	1,602,150	1,820,625	2,638,176
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	40,810,847	39,699,959	39,661,557	38,431,036	37,719,262
14 Less: Accumulated Depr and Amort.	22,313,407	20,282,911	18,813,480	16,961,006	16,633,742
15 Net Regulated Plant	18,497,440	19,417,048	20,848,077	21,470,029	21,085,520
16 Total Assets & Other Debits	\$66,538,354	\$27,625,091	\$28,134,163	\$27,460,684	\$28,609,574
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$37,491,226		\$2,059,600.00	\$991,847.00	\$734,325.00
18 Notes Payable					
19 Advanced Billings	162,945	(594)	(594)	(589)	
20 Customer Deposits	(8,537)	(8,537)	(8,465)		
21 Current Maturities - Long-Term Debt	328,494	415,232	637,262	672,510	547,733
22 Current Deferred Income Taxes			(83,491)	(83,491)	(83,491)
23 Other Current Liabilities	12,327	(678,910)	881,663	1,244,348	1,087,082
24 Total Current Liabilities	37,986,455	(272,809)	3,485,975	2,824,625	2,285,649
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	4,562,318	4,890,812	5,599,123	6,251,902	6,930,207
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	20,887	31,801	76,963	76,963	133,039
27 Non-Current Deferred Taxes	3,025,719	3,104,501	3,783,947	3,243,236	4,258,258
28 Other Deferred Credits	41,717		597,598	656,200	666,339
29 Other Jurisdictional Differences - Net					
30 Other Liabilities					
31 Total Other Liab. and Def. Credits	3,088,323	3,136,302	4,458,508	3,976,399	5,057,636
<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	574,320
35 Retained Earnings	18,696,795	16,411,755	12,386,094	12,203,295	11,754,068
36 Total Stockholder's Equity	20,901,258	18,616,218	14,590,557	14,407,758	14,336,082
37 Total Liab. and Stockholder's Equity	\$66,538,354	\$26,370,523	\$28,134,163	\$27,460,684	\$28,609,574

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$5,725,576	\$5,930,300	\$5,966,874	\$6,007,056	\$6,016,128	1
Network Access Services	4,564,641	4,100,923	3,574,408	3,510,857	3,867,703	2
Long Distance Network Services	9		2,736	120		3
Miscellaneous Revenues	873,339	951,661	832,115	923,855	954,956	4
Less: Uncollectible Revenues	104,582	74,933	53,497	371,773	46,963	5
<b>Total Operating Revenues</b>	<b>11,058,983</b>	<b>10,907,951</b>	<b>10,322,636</b>	<b>10,070,115</b>	<b>10,791,824</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	21	8,164			3,780	7
General Support Expenses	734,638	722,127	825,410	803,424	771,562	8
Central Office Switching	190,121	195,266	170,192	163,079	285,384	9
Operator Systems Expense				87	12	10
Central Office Transmission	29,866	26,721	46,025	14,997	20,162	11
Info. Origination/Termination	31,392	31,449	66,615	116,576	109,580	12
Cable & Wire Facilities	457,737	430,449	402,185	347,297	446,047	13
<b>Total Plant Specific Operations</b>	<b>1,443,775</b>	<b>1,414,176</b>	<b>1,510,427</b>	<b>1,445,461</b>	<b>1,636,527</b>	<b>14</b>
Other Plant, Property & Equipment	93	7,083	5,424	32,063	8,083	15
Network Operations	717,565	505,563	862,961	662,151	564,125	16
Access Expense	105,087	164,518	232,661	55,754	58,551	17
Depreciation and Amortization	2,683,046	2,632,840	3,037,969	2,465,358	2,502,212	18
<b>Total Plant Non-Specific Operations</b>	<b>3,505,791</b>	<b>3,310,004</b>	<b>4,139,015</b>	<b>3,215,327</b>	<b>3,132,971</b>	<b>19</b>
Marketing Expense	87,170	92,752	293,223	270,208	217,053	20
Services Expense	820,751	769,521	1,174,736	752,940	964,439	21
<b>Total Customer Operations</b>	<b>907,921</b>	<b>862,273</b>	<b>1,467,959</b>	<b>1,023,148</b>	<b>1,181,492</b>	<b>22</b>
Executive & Planning	78,818	249,033	239,373	157,818	205,519	23
General & Administrative	721,854	167,131	1,978,353	1,826,833	1,525,297	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>800,672</b>	<b>416,164</b>	<b>2,217,726</b>	<b>1,984,651</b>	<b>1,730,816</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>6,658,159</b>	<b>6,002,617</b>	<b>9,335,127</b>	<b>7,668,587</b>	<b>7,681,806</b>	<b>28</b>
Other Operating Income & Expenses		(113,785)				29
State & Local Income Taxes						30
Other Taxes	574,834	465,197	451,600	971,057	684,879	31
<b>Net Operating Income Before FIT</b>	<b>3,825,990</b>	<b>4,326,352</b>	<b>535,909</b>	<b>1,430,472</b>	<b>2,425,139</b>	<b>32</b>
Investment Tax Credits - Net	28,038		28,038		28,039	33
Federal Income Taxes	931,730	815,994	399,830	524,117	750,568	34
Provision - Def. Operating Income Taxes - Net	340,645	(720,900)	(184,223)	(28,038)	126,269	35
<b>Net Operating Income</b>	<b>\$2,581,653</b>	<b>\$4,231,258</b>	<b>\$348,340</b>	<b>\$934,393</b>	<b>\$1,576,341</b>	<b>36</b>

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

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
37 <b>Net Operating Income</b>	\$2,581,653	\$4,231,258	\$348,340	\$934,393	\$1,576,341
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income				120	2,339
39 Interest Income	7,014		569		
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	17,847	63,146	141,710	20,556	78,822
42 Gains/Losses - Disposal of Property				(1,689)	
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income				(574,320)	
45 Special Charges	22			246	67,525
46 Total Non-Operating Income & Expenses	24,839	63,146	142,279	(555,579)	13,636
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes		(80,501)	(89,138)	(357,119)	(168,044)
48 Other					
49 Total Non-Operating Taxes		(80,501)	(89,138)	(357,119)	(168,044)
50 Income Available Before Interest Charges	2,606,492	4,374,905	579,757	735,933	1,758,021
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	311,192	337,498	389,097	454,776	479,120
52 Other Interest Expense	10,260	11,746	7,865	9,511	14,643
53 Total Interest Charges	321,452	349,244	396,962	464,287	493,763
54 Income Before Extraordinary & Nonreg Items	2,285,040	4,025,661	182,795	271,646	1,264,258
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$2,285,040	\$4,025,661	\$182,795	\$271,646	\$1,264,258
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$16,411,755	\$12,386,094	\$12,203,295	\$11,754,068	\$10,489,810
60 Transferred from Income	2,285,040	4,025,661	182,799	271,645	1,264,258
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments				177,582	
65 Ending Year Balance	18,696,795	16,411,755	12,386,094	12,203,295	11,754,068
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$18,696,795	\$16,411,755	\$12,386,094	\$12,203,295	\$11,754,068

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$3,713,239	\$2,945,994	\$3,633,710	\$1,690,911	\$3,095,203
2 Accounts Receivable (Net)	632,580	896,073	689,723	719,910	644,378
3 Current Deferred Income Taxes					
4 Other Current Assets	249,511	290,144	273,900	245,625	252,788
5 Total Current Assets	4,595,330	4,132,211	4,597,333	2,656,445	3,992,369
<b>NON-CURRENT ASSETS</b>					
6 Investments	3,923,270	4,296,582	5,277,317	6,887,325	13,098,045
7 Unamortized Debt Issuance Costs	1,246	1,643	2,040	2,436	2,832
8 Deferred Charges	104,782	104,782	104,782	104,782	104,782
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	61,200	1,821	3,642	5,464	4,553
11 Other Non-Current Assets	2,020,454	1,754,415	1,498,532	1,353,642	1,235,941
12 Total Non-Current Assets	6,110,952	6,159,243	6,886,313	8,353,649	14,446,153
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	13,556,412	13,346,514	13,070,798	13,034,762	13,579,483
14 Less: Accumulated Depr and Amort.	5,982,526	5,045,023	4,064,082	3,196,176	3,378,982
15 Net Regulated Plant	7,573,886	8,301,491	9,006,716	9,838,586	10,200,501
16 Total Assets & Other Debits	\$18,280,168	\$18,592,945	\$20,490,362	\$20,848,680	\$28,639,023
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$182,876	\$276,980	\$236,245	\$302,816	\$353,980
18 Notes Payable		30,000	50,000	70,136	145,935
19 Advanced Billings	5,833	6,728	8,232	8,159	8,614
20 Customer Deposits	1,420	1,738	2,400	4,960	5,410
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(158,521)	(74,643)	84,834	(347,549)	1,836,077
24 Total Current Liabilities	31,608	240,803	381,711	38,521	2,350,016
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	6,473,998	6,975,481	7,367,539	7,641,196	6,558,408
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		3,535	5,303	7,071	8,839
27 Non-Current Deferred Taxes	1,184,540	1,004,160	1,593,847	1,981,376	4,208,769
28 Other Deferred Credits	91,910	92,587	93,028	27,532	25,821
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	180,000	150,000	120,000	90,000	90,000
31 Total Other Liab. and Def. Credits	1,456,450	1,250,282	1,812,178	2,105,979	4,333,429
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	85,100	85,100	85,100	85,100	85,100
33 Preferred Stock	35,350	35,450	35,450	39,950	39,950
34 Other Paid in Capital	(1,252,777)	(1,504,185)	(1,560,898)	(623,172)	4,051,611
35 Retained Earnings	11,450,439	11,510,016	12,369,282	11,561,105	11,220,509
36 Total Stockholder's Equity	10,318,112	10,126,381	10,928,934	11,062,983	15,397,170
37 Total Liab. and Stockholder's Equity	\$18,280,168	\$18,592,948	\$20,490,362	\$20,848,680	\$28,639,023

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$876,667	\$914,389	\$972,633	\$1,033,466	\$1,093,682	1
Network Access Services	2,098,407	2,543,188	2,687,392	2,598,074	2,365,496	2
Long Distance Network Services	655,648	447,787	553,102	848,775	809,797	3
Miscellaneous Revenues	564,468	647,522	876,452	1,408,773	924,486	4
Less: Uncollectible Revenues	(1,864)	53,291	20,509	12,491	9,651	5
<b>Total Operating Revenues</b>	<b>4,197,054</b>	<b>4,499,595</b>	<b>5,069,070</b>	<b>5,876,597</b>	<b>5,183,810</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	24,969	25,490	27,360	31,105	31,332	7
General Support Expenses	315,052	189,770	87,111	483,149	496,713	8
Central Office Switching	169,076	146,136	191,119	371,969	348,012	9
Operator Systems Expense						10
Central Office Transmission	64,160	74,345	153,368	30,866	30,032	11
Info. Origination/Termination	66,810	71,815	69,463	84,119	85,697	12
Cable & Wire Facilities	263,560	283,859	262,246	253,460	182,280	13
<b>Total Plant Specific Operations</b>	<b>903,627</b>	<b>791,415</b>	<b>790,667</b>	<b>1,254,667</b>	<b>1,174,065</b>	<b>14</b>
Other Plant, Property & Equipment				820		15
Network Operations	309,926	286,170	291,642	277,436	296,999	16
Access Expense	26,790	16,609	10,954	(472)	13,280	17
Depreciation and Amortization	1,103,414	1,098,071	1,104,074	1,198,959	829,344	18
<b>Total Plant Non-Specific Operations</b>	<b>1,440,130</b>	<b>1,400,850</b>	<b>1,406,670</b>	<b>1,476,742</b>	<b>1,139,623</b>	<b>19</b>
Marketing Expense	11,935	(978)	(2,684)	160,449	92,458	20
Services Expense	387,433	562,290	638,095	902,370	770,407	21
<b>Total Customer Operations</b>	<b>399,368</b>	<b>561,312</b>	<b>635,411</b>	<b>1,062,818</b>	<b>862,866</b>	<b>22</b>
Executive & Planning	361,474	411,897	402,648	448,014	492,366	23
General & Administrative	643,238	697,299	674,448	1,041,781	922,968	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,004,712</b>	<b>1,109,196</b>	<b>1,077,096</b>	<b>1,489,796</b>	<b>1,415,335</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,747,837</b>	<b>3,862,773</b>	<b>3,909,844</b>	<b>5,284,023</b>	<b>4,591,888</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	255,166	257,042	253,532	280,457	304,552	31
<b>Net Operating Income Before FIT</b>	<b>194,051</b>	<b>379,780</b>	<b>905,694</b>	<b>312,117</b>	<b>287,370</b>	<b>32</b>
Investment Tax Credits - Net	3,535	1,768	1,768	1,768	4,384	33
Federal Income Taxes	(46,657)	(34,998)	37,281	(218,265)	(105,993)	34
Provision - Def. Operating Income Taxes - Net	(10,332)	(625,016)	92,450	183,920	66,675	35
<b>Net Operating Income</b>	<b>\$254,575</b>	<b>\$1,041,562</b>	<b>\$777,731</b>	<b>\$348,230</b>	<b>\$331,072</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$254,575	\$1,041,562	\$777,731	\$348,230	\$331,072
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	27,441	2,452	67,655	63,960	77,446
39 Interest Income	153,781	156,556	60,885	77,048	41,782
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property	(6,836)				
43 Equity in Earnings of Affiliated Companies	(20,299)	246,681	1,253,358	207,824	173,377
44 Other Non-Operating Income	(195,127)	(1,931,160)	(607,572)	90,115	3,521,703
45 Special Charges	(79,698)	(75,376)	22,931	19,717	59,411
46 Total Non-Operating Income & Expenses	38,658	(1,450,095)	751,395	419,230	3,754,897
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(54,964)	35,650	223,175	8,854	1,075,096
48 Other					140,745
49 Total Non-Operating Taxes	(54,964)	35,650	223,175	8,854	1,215,841
50 Income Available Before Interest Charges	348,197	(444,183)	1,305,951	758,606	2,870,128
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	389,091	408,200	424,451	406,359	371,628
52 Other Interest Expense	14,764	2,958	3,022	7,456	71,811
53 Total Interest Charges	403,855	411,158	427,473	413,815	443,439
54 Income Before Extraordinary & Nonreg Items	(55,658)	(855,341)	878,478	344,790	2,426,689
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$55,658)	(\$855,341)	\$878,478	\$344,790	\$2,426,689
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$9,527,611	\$10,633,557	\$11,078,739	\$10,945,967	\$8,696,876
60 Transferred from Income	(35,359)	(1,102,023)	(374,880)	136,966	2,253,312
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	2,121	2,127	2,262	2,397	2,424
63 Common Stock	1,797	1,797	1,797	1,797	1,797
64 Adjustments			(66,243)		
65 Ending Year Balance	9,488,334	9,527,611	10,633,557	11,078,739	10,945,967
66 Appropriated/Undistr Affiliate Retained Earnings	1,962,107	1,982,406	1,735,725	482,366	274,542
67 <b>Total Retained Earnings</b>	\$11,450,441	\$11,510,017	\$12,369,282	\$11,561,105	\$11,220,509

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$360,661	\$731,013	\$333,122	\$2,231,946	\$2,138,117
2 Accounts Receivable (Net)	1,290,097	999,449	1,354,725	1,143,558	941,638
3 Current Deferred Income Taxes	82	82	82	82	82
4 Other Current Assets	322,718	356,096	442,017	258,889	376,897
5 Total Current Assets	1,973,558	2,086,640	2,129,946	3,634,475	3,456,734
<b>NON-CURRENT ASSETS</b>					
6 Investments	864,541	869,641	1,030,009	1,230,378	1,814,040
7 Unamortized Debt Issuance Costs	10,800	12,750			
8 Deferred Charges		500			152,812
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	409,827	111,175	171,446	133,865	140,201
11 Other Non-Current Assets	2,217,427	2,001,788	2,123,750	874,604	806,617
12 Total Non-Current Assets	3,502,595	2,995,854	3,325,205	2,238,847	2,913,670
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	13,710,519	11,986,331	11,393,193	10,232,713	9,817,831
14 Less: Accumulated Depr and Amort.	5,956,803	5,781,389	5,679,192	5,259,202	4,887,074
15 Net Regulated Plant	7,753,715	6,204,942	5,714,001	4,973,511	4,930,757
16 Total Assets & Other Debits	\$13,229,868	\$11,287,436	\$11,169,152	\$10,846,833	\$11,301,161
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$393,299	\$245,457	\$324,956	\$157,820	\$194,760
18 Notes Payable	194,525	141,117	97,431	95,837	74,744
19 Advanced Billings	(20,112)	(20,589)	(8,349)		50
20 Customer Deposits		685	475	1,040	1,598
21 Current Maturities - Long-Term Debt	85,483	342,857	342,857	342,857	342,857
22 Current Deferred Income Taxes					
23 Other Current Liabilities	522,716	226,851	317,843	169,963	231,799
24 Total Current Liabilities	1,175,911	936,378	1,075,213	767,517	845,808
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	1,500,000	584,835	427,023	769,203	1,111,406
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		6,046	12,046	18,046	24,046
27 Non-Current Deferred Taxes	1,765,756	1,387,083	1,316,203	1,392,298	1,652,491
28 Other Deferred Credits	400,851	342,553	337,703	342,614	347,745
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	400,316	273,704	198,846	143,652	157,531
31 Total Other Liab. and Def. Credits	2,566,923	2,009,386	1,864,798	1,896,610	2,181,813
<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	(1,569,440)	(3,141,133)	(1,813,162)	(1,779,867)	(1,657,784)
35 Retained Earnings	9,441,474	10,782,970	9,500,280	9,078,370	8,704,918
36 Total Stockholder's Equity	7,987,034	7,756,837	7,802,118	7,413,503	7,162,134
37 Total Liab. and Stockholder's Equity	\$13,229,868	\$11,287,436	\$11,169,152	\$10,846,833	\$11,301,161

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$994,050	\$931,237	\$832,592	\$888,483	\$839,357	1
Network Access Services	2,015,854	2,146,223	1,992,494	2,017,232	1,822,789	2
Long Distance Network Services						3
Miscellaneous Revenues	575,124	626,831	752,594	713,928	728,736	4
Less: Uncollectible Revenues	12,549	11,604	8,258	5,330	3,218	5
<b>Total Operating Revenues</b>	<b>3,572,479</b>	<b>3,692,687</b>	<b>3,569,422</b>	<b>3,614,313</b>	<b>3,387,664</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	6,023	9,758	4,879	16,050	17,031	7
General Support Expenses	120,858	98,362	96,518	101,947	104,432	8
Central Office Switching	275,711	301,983	239,079	285,260	241,836	9
Operator Systems Expense						10
Central Office Transmission	197,134	114,108	63,703	161,718	55,927	11
Info. Origination/Termination	50,200	36,734	27,192	12,742	5,985	12
Cable & Wire Facilities	353,548	378,184	386,512	361,204	281,222	13
<b>Total Plant Specific Operations</b>	<b>1,003,474</b>	<b>939,129</b>	<b>817,883</b>	<b>938,921</b>	<b>706,433</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	218,759	200,649	161,582	143,505	189,582	16
Access Expense	46,595	36,274	27,068	29,323	18,934	17
Depreciation and Amortization	526,513	633,693	667,935	693,580	547,379	18
<b>Total Plant Non-Specific Operations</b>	<b>791,867</b>	<b>870,616</b>	<b>856,585</b>	<b>866,408</b>	<b>755,895</b>	<b>19</b>
Marketing Expense	50,042	152,575	100,514	58,392	42,663	20
Services Expense	478,955	523,263	487,995	524,915	553,610	21
<b>Total Customer Operations</b>	<b>528,997</b>	<b>675,838</b>	<b>588,509</b>	<b>583,307</b>	<b>596,273</b>	<b>22</b>
Executive & Planning	303,693	274,920	264,973	318,658	403,363	23
General & Administrative	448,400	462,328	445,288	392,250	393,983	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>752,093</b>	<b>737,248</b>	<b>710,261</b>	<b>710,908</b>	<b>797,346</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>3,076,431</b>	<b>3,222,831</b>	<b>2,973,238</b>	<b>3,099,544</b>	<b>2,855,947</b>	<b>28</b>
Other Operating Income & Expenses		(163)	163			29
State & Local Income Taxes						30
Other Taxes	193,950	175,109	166,441	169,088	228,784	31
<b>Net Operating Income Before FIT</b>	<b>302,098</b>	<b>294,584</b>	<b>429,906</b>	<b>345,681</b>	<b>302,933</b>	<b>32</b>
Investment Tax Credits - Net	5,176	6,000	6,000	6,000	11,387	33
Federal Income Taxes	(115,832)	(1,308)	111,789	53,447	(18,405)	34
Provision - Def. Operating Income Taxes - Net	237,482	117,518	(27,485)	(108,060)	48,650	35
<b>Net Operating Income</b>	<b>\$185,624</b>	<b>\$184,374</b>	<b>\$351,602</b>	<b>\$406,294</b>	<b>\$284,075</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$185,624	\$184,374	\$351,602	\$406,294	\$284,075
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					3,302
39 Interest Income	2,500	34,213	69,102	132,520	111,163
40 Income - Sinking and Other Funds	756				
41 Allowance for Funds Used During Construction		23,831	19,956	13,342	3,348
42 Gains/Losses - Disposal of Property	44,207				
43 Equity in Earnings of Affiliated Companies	(1,419,378)	1,294,819	63,336	26,171	(43,270)
44 Other Non-Operating Income	8,840	(233,136)	23,824	52,091	260,622
45 Special Charges	27,311	2,881	8,233	10,085	19,271
46 Total Non-Operating Income & Expenses	(1,390,386)	1,116,846	167,985	214,039	315,894
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(5,909)	(141,070)	(72,029)	45,852	101,441
48 Other		1,000	3,000	6,000	12,200
49 Total Non-Operating Taxes	(5,909)	(140,070)	(69,029)	51,852	113,641
50 Income Available Before Interest Charges	(1,198,853)	1,441,290	588,616	568,481	486,328
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	60,614	58,463	71,819	98,033	122,500
52 Other Interest Expense	11,562	30,046	29,674	29,246	27,454
53 Total Interest Charges	72,176	88,509	101,493	127,279	149,954
54 Income Before Extraordinary & Nonreg Items	(1,271,029)	1,352,781	487,123	441,202	336,374
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$1,271,029)	\$1,352,781	\$487,123	\$441,202	\$336,374
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$9,479,278	\$9,491,407	\$9,132,833	\$8,785,553	\$8,469,347
60 Transferred from Income	148,349	57,962	423,787	415,031	336,374
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	70,467	70,091	65,213	67,751	63,365
64 Adjustments					43,197
65 Ending Year Balance	9,557,160	9,479,278	9,491,407	9,132,833	8,785,553
66 Appropriated/Undistr Affiliate Retained Earnings	(115,686)	1,303,692	8,873	(54,463)	(80,635)
67 <b>Total Retained Earnings</b>	\$9,441,474	\$10,782,970	\$9,500,280	\$9,078,370	\$8,704,918

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$1,331,310	\$1,302,444	\$1,141,691	\$1,081,112	\$881,465
2 Accounts Receivable (Net)	78,124	91,570	149,437	132,190	102,455
3 Current Deferred Income Taxes					
4 Other Current Assets	33,733	14,927	16,660	19,721	20,048
5 Total Current Assets	1,443,167	1,408,941	1,307,789	1,233,023	1,003,968
<b>NON-CURRENT ASSETS</b>					
6 Investments					
7 Unamortized Debt Issuance Costs	5,246	5,440	5,634	5,828	6,023
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets		24,537	28,825	33,114	37,404
12 Total Non-Current Assets	5,246	29,977	34,459	38,943	43,427
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	1,517,750	1,582,804	1,597,098	1,586,160	1,586,542
14 Less: Accumulated Depr and Amort.	861,847	935,906	851,062	763,068	660,610
15 Net Regulated Plant	655,903	646,897	746,036	823,092	925,933
16 <b>Total Assets &amp; Other Debits</b>	<b>\$2,104,316</b>	<b>\$2,085,815</b>	<b>\$2,088,284</b>	<b>\$2,095,058</b>	<b>\$1,973,328</b>
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$45,018	\$32,805	\$44,554	\$29,304	\$36,654
18 Notes Payable					
19 Advanced Billings	4,350	4,212	4,108	4,083	3,946
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	6,620	6,300	5,991	5,699	5,100
22 Current Deferred Income Taxes	(386)				
23 Other Current Liabilities	10,587	9,728	11,849	8,696	9,170
24 Total Current Liabilities	66,189	53,045	66,501	47,782	54,870
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	282,769	288,995	294,923	300,559	306,240
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					(509)
27 Non-Current Deferred Taxes	132,794	148,374	31,352	107,510	251,690
28 Other Deferred Credits		2,765	3,248	6,039	6,688
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	9,458	16,828	21,807	22,144	25,037
31 Total Other Liab. and Def. Credits	142,252	167,967	56,407	135,693	282,906
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	1,490	1,490	1,490	1,490	1,490
33 Preferred Stock					
34 Other Paid in Capital					
35 Retained Earnings	1,611,616	1,574,318	1,668,963	1,609,535	1,327,822
36 Total Stockholder's Equity	1,613,106	1,575,808	1,670,453	1,611,025	1,329,312
37 <b>Total Liab. and Stockholder's Equity</b>	<b>\$2,104,316</b>	<b>\$2,085,815</b>	<b>\$2,088,285</b>	<b>\$2,095,059</b>	<b>\$1,973,328</b>

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

INCOME STATEMENT	2003	2002	2001	2000	1999	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$236,834	\$227,682	\$225,089	\$234,800	\$256,379	1
Network Access Services	191,552	174,509	148,649	228,451	223,129	2
Long Distance Network Services						3
Miscellaneous Revenues	58,783	84,565	79,826	120,775	83,089	4
Less: Uncollectible Revenues	8,681	45,107	1,925	4,779	1,743	5
Total Operating Revenues	478,488	441,650	451,639	579,247	560,854	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	1,359	775	244	(328)	1,544	7
General Support Expenses	11,034	9,206	9,878	7,128	8,044	8
Central Office Switching	4,996	6,625	5,394	395	386	9
Operator Systems Expense						10
Central Office Transmission	1,209	2,334	678	209	33	11
Info. Origination/Termination	10,372	11,612	15,143	19,386	22,167	12
Cable & Wire Facilities	5,658	8,553	6,883	7,525	8,971	13
Total Plant Specific Operations	34,628	39,105	38,219	34,315	41,145	14
Other Plant, Property & Equipment			(56)		(107)	15
Network Operations	34,321	33,689	29,915	26,444	25,814	16
Access Expense						17
Depreciation and Amortization	75,684	111,846	110,723	110,083	110,153	18
Total Plant Non-Specific Operations	110,005	145,535	140,582	136,527	135,860	19
Marketing Expense	33,147	33,098	29,568	26,708	27,786	20
Services Expense	62,757	66,740	63,767	75,461	58,751	21
Total Customer Operations	95,904	99,838	93,335	102,169	86,537	22
Executive & Planning	7,184	7,052	9,833	10,683	8,939	23
General & Administrative	69,839	67,430	74,636	75,650	67,990	24
Provision - Uncollectible Notes Rec.						25
Other					2,767	26
Total Corporate Operations	77,023	74,482	84,469	86,333	79,696	27
Total Operations Expense	317,560	358,960	356,605	359,344	343,238	28
Other Operating Income & Expenses				300	126	29
State & Local Income Taxes						30
Other Taxes	32,949	35,340	33,269	42,551	3,649	31
<b>Net Operating Income Before FIT</b>	<b>127,979</b>	<b>47,349</b>	<b>61,765</b>	<b>177,652</b>	<b>214,093</b>	<b>32</b>
Investment Tax Credits - Net				(509)	1,349	33
Federal Income Taxes	78,391	67,796	93,355	61,835	38,617	34
Provision - Def. Operating Income Taxes - Net	5,806	1,424	(72,353)	(101)	27,242	35
<b>Net Operating Income</b>	<b>\$43,782</b>	<b>(\$21,871)</b>	<b>\$40,763</b>	<b>\$115,409</b>	<b>\$149,583</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$43,782	(\$21,871)	\$40,763	\$115,409	\$149,583
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	13,166	23,970	49,263	61,076	43,596
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income					
45 Special Charges	282	119,690	350	(139,649)	523
46 Total Non-Operating Income & Expenses	12,884	(95,720)	48,913	200,725	43,072
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	4,499	(38,055)	14,864	18,777	21,162
48 Other					
49 Total Non-Operating Taxes	4,499	(38,055)	14,864	18,777	21,162
50 Income Available Before Interest Charges	52,167	(79,536)	74,812	297,357	171,493
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	14,623	14,912	15,185	15,448	15,692
52 Other Interest Expense	247	194	194	195	195
53 Total Interest Charges	14,870	15,106	15,379	15,643	15,887
54 Income Before Extraordinary & Nonreg Items	37,297	(94,642)	59,433	281,714	155,606
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$37,297	(\$94,642)	\$59,433	\$281,714	\$155,606
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,574,322	\$1,668,964	\$1,609,535	\$1,327,822	\$1,189,517
60 Transferred from Income	37,297	(94,642)	59,432	281,713	155,606
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments			(3)		(17,301)
65 Ending Year Balance	1,611,619	1,574,322	1,668,964	1,609,535	1,327,822
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$1,611,619	\$1,574,322	\$1,668,964	\$1,609,535	\$1,327,822

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$693,619	\$503,981	\$589,274	\$452,414	\$383,836
2 Accounts Receivable (Net)	170,847	219,394	149,330	211,023	167,407
3 Current Deferred Income Taxes					
4 Other Current Assets	95,109	157,823	101,946	112,199	136,859
5 Total Current Assets	959,575	881,198	840,550	775,636	688,102
<b>NON-CURRENT ASSETS</b>					
6 Investments	6,456	10,704	15,023	47,911	58,758
7 Unamortized Debt Issuance Costs	2,487	2,847	3,318	3,805	4,292
8 Deferred Charges	11,696	11,042	10,583	10,002	9,406
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets					
12 Total Non-Current Assets	20,639	24,593	28,924	61,718	72,456
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	4,480,618	3,794,921	3,630,419	3,287,634	3,206,694
14 Less: Accumulated Depr and Amort.	2,653,464	2,460,041	2,202,057	1,941,141	1,721,649
15 Net Regulated Plant	1,827,154	1,334,880	1,428,362	1,346,493	1,485,045
16 Total Assets & Other Debits	\$2,807,367	\$2,240,671	\$2,297,836	\$2,183,847	\$2,245,603
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$460,097	\$37,927	\$200,919	\$57,715	\$142,263
18 Notes Payable					
19 Advanced Billings	14,969	22,834	21,363	24,184	26,151
20 Customer Deposits	723	863	943	1,128	3,338
21 Current Maturities - Long-Term Debt	18,993	18,897	25,940	25,438	24,818
22 Current Deferred Income Taxes					
23 Other Current Liabilities	31,391	32,416	13,326	54,214	33,063
24 Total Current Liabilities	526,173	112,937	262,491	162,679	229,633
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	95,007	114,001	132,902	158,844	184,280
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	3,639	4,695	5,908	7,151	8,439
27 Non-Current Deferred Taxes	272,380	216,689	175,620	181,213	199,439
28 Other Deferred Credits	39,030	42,958	47,082	40,286	39,690
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	77,845	74,367	101,648	114,361	126,522
31 Total Other Liab. and Def. Credits	392,893	338,709	330,258	343,011	374,090
<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)	(62,270)	(62,270)
35 Retained Earnings	1,780,564	1,662,294	1,559,455	1,485,583	1,423,870
36 Total Stockholder's Equity	1,793,294	1,675,024	1,572,185	1,519,313	1,457,600
37 Total Liab. and Stockholder's Equity	\$2,807,367	\$2,240,671	\$2,297,836	\$2,183,847	\$2,245,603

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

INCOME STATEMENT	2003	2002	2001	2000	1999	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$492,923	\$497,470	\$513,204	\$534,011	\$557,706	1
Network Access Services	453,886	413,711	459,661	475,565	496,370	2
Long Distance Network Services	616,103	650,784	469,065	428,824	288,922	3
Miscellaneous Revenues	211,133	214,609	227,988	268,247	279,444	4
Less: Uncollectible Revenues	2,922	2,161	2,336	2,036	1,736	5
Total Operating Revenues	1,771,123	1,774,413	1,667,582	1,704,611	1,620,706	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	4,679	6,487	5,855	7,989	5,373	7
General Support Expenses	68,555	53,889	69,076	72,940	92,911	8
Central Office Switching	163,495	164,572	146,374	139,592	162,254	9
Operator Systems Expense						10
Central Office Transmission	75,373	64,194	53,520	52,286	8,375	11
Info. Origination/Termination	25,557	27,657	26,481	46,012	64,060	12
Cable & Wire Facilities	85,849	107,725	89,076	115,904	78,360	13
Total Plant Specific Operations	423,507	424,524	390,382	434,723	411,333	14
Other Plant, Property & Equipment						15
Network Operations	64,701	64,147	51,390	50,029	40,319	16
Access Expense	23,918	22,784	9,354	5,202		17
Depreciation and Amortization	260,542	313,440	288,580	293,080	211,350	18
Total Plant Non-Specific Operations	349,161	400,371	349,324	348,311	251,669	19
Marketing Expense	11,745	20,575	28,448	36,229	16,641	20
Services Expense	152,903	158,082	145,671	161,451	154,489	21
Total Customer Operations	164,648	178,657	174,119	197,680	171,130	22
Executive & Planning	292,689	262,066	241,098	231,562	295,805	23
General & Administrative	274,481	300,208	321,745	303,990	262,743	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	567,170	562,274	562,843	535,552	558,548	27
Total Operations Expense	1,504,486	1,565,826	1,476,668	1,516,266	1,392,680	28
Other Operating Income & Expenses	2,831	5,749	1,061	309	(56,162)	29
State & Local Income Taxes						30
Other Taxes	82,068	76,152	73,827	78,181	91,558	31
<b>Net Operating Income Before FIT</b>	<b>187,399</b>	<b>138,184</b>	<b>118,148</b>	<b>110,473</b>	<b>80,306</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	11,313	4,057	36,671	52,054	17,872	34
Provision - Def. Operating Income Taxes - Net	51,844	27,912	(6,555)	(18,226)	20,243	35
<b>Net Operating Income</b>	<b>\$124,242</b>	<b>\$106,215</b>	<b>\$88,032</b>	<b>\$76,645</b>	<b>\$42,191</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$124,242	\$106,215	\$88,032	\$76,645	\$42,191
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	798	672	618	234	264
39 Interest Income	6,735	9,784	21,488	26,442	24,464
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income			11,293	(56)	45,906
45 Special Charges	1,129	892	869	786	1,272
46 Total Non-Operating Income & Expenses	6,404	9,564	32,530	25,834	69,362
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(1,056)	(1,214)	(1,243)	(1,288)	(1,365)
48 Other					
49 Total Non-Operating Taxes	(1,056)	(1,214)	(1,243)	(1,288)	(1,365)
50 Income Available Before Interest Charges	131,701	116,993	121,805	103,767	112,918
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	5,377	5,976	6,613	7,236	7,828
52 Other Interest Expense	(346)	(222)	360	618	650
53 Total Interest Charges	5,031	5,754	6,973	7,854	8,478
54 Income Before Extraordinary & Nonreg Items	126,670	111,239	114,832	95,913	104,440
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$126,670	\$111,239	\$114,832	\$95,913	\$104,440
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$1,662,294	\$1,559,455	\$1,485,583	\$1,423,870	\$1,353,630
60 Transferred from Income	126,670	111,239	114,832	95,913	104,440
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	8,400	8,400	33,600	34,200	34,200
64 Adjustments			(7,360)		
65 Ending Year Balance	1,780,564	1,662,294	1,559,455	1,485,583	1,423,870
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$1,780,564	\$1,662,294	\$1,559,455	\$1,485,583	\$1,423,870

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$9,171,481	\$8,909,711	\$8,357,849	\$8,133,488	\$8,582,473
2 Accounts Receivable (Net)	680,568	569,557	940,865	893,346	660,531
3 Current Deferred Income Taxes					
4 Other Current Assets	204,381	112,172	112,778	137,983	145,576
5 Total Current Assets	10,056,430	9,591,440	9,411,492	9,164,817	9,388,579
<b>NON-CURRENT ASSETS</b>					
6 Investments	342,375	439,875	49,875	49,875	49,927
7 Unamortized Debt Issuance Costs	4,275	4,858	5,441	6,024	6,607
8 Deferred Charges	20,143	9,571			
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets		140,996	164,495	187,994	211,493
12 Total Non-Current Assets	366,793	595,300	219,811	243,893	268,027
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	10,107,739	10,297,308	10,113,405	9,782,311	9,534,156
14 Less: Accumulated Depr and Amort.	4,554,283	4,701,625	4,076,041	3,525,924	3,008,262
15 Net Regulated Plant	5,553,456	5,595,683	6,037,364	6,256,387	6,525,894
16 Total Assets & Other Debits	\$15,976,679	\$15,782,423	\$15,668,666	\$15,665,097	\$16,182,500
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$298,406	\$307,402	\$316,695	\$279,182	\$357,071
18 Notes Payable					
19 Advanced Billings	119	137	118		
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	342,948	317,808	273,734	259,812	245,915
22 Current Deferred Income Taxes	(2,590)				
23 Other Current Liabilities	114,829	58,195	55,670	144,614	926,195
24 Total Current Liabilities	753,712	683,542	646,217	683,608	1,529,181
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,476,120	2,871,221	2,798,349	3,071,503	3,331,291
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			4,035	13,818	23,601
27 Non-Current Deferred Taxes	700,984	789,400	801,773	875,265	888,198
28 Other Deferred Credits	252,343	285,140	323,357	364,668	405,980
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	21,981	11,338	(1,643)	(4,830)	(5,938)
31 Total Other Liab. and Def. Credits	975,308	1,085,878	1,127,522	1,248,921	1,311,841
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	60,002	60,002	45,003	45,003	46,201
33 Preferred Stock					
34 Other Paid in Capital	57,079	57,079	57,079	57,078	55,880
35 Retained Earnings	11,654,458	11,024,701	10,994,496	10,558,984	9,908,106
36 Total Stockholder's Equity	11,771,539	11,141,783	11,096,578	10,661,065	10,010,187
37 Total Liab. and Stockholder's Equity	\$15,976,679	\$15,782,423	\$15,668,666	\$15,665,097	\$16,182,500

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	751,199	645,507	\$623,135	\$630,864	\$630,342	1
Network Access Services	1,621,910	1,634,187	1,727,874	2,073,213	2,099,535	2
Long Distance Network Services	(2)					3
Miscellaneous Revenues	474,326	556,210	693,309	714,453	675,381	4
Less: Uncollectible Revenues	25,818	52,532	8,494	5,087	8,199	5
<b>Total Operating Revenues</b>	<b>2,821,615</b>	<b>2,783,372</b>	<b>3,035,824</b>	<b>3,413,442</b>	<b>3,397,059</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	7,675	12,133	10,391	7,280	4,181	7
General Support Expenses	46,317	60,039	55,876	50,361	75,878	8
Central Office Switching	82,335	59,695	56,210	53,434	37,251	9
Operator Systems Expense						10
Central Office Transmission	29,814	18,548	16,803	16,205	18,430	11
Info. Origination/Termination	305,127	235,408	301,038	446,431	417,674	12
Cable & Wire Facilities	132,941	117,268	95,886	122,275	150,346	13
<b>Total Plant Specific Operations</b>	<b>604,209</b>	<b>503,091</b>	<b>536,204</b>	<b>695,986</b>	<b>703,760</b>	<b>14</b>
Other Plant, Property & Equipment			970	1,611	367	15
Network Operations	242,035	233,040	199,390	163,478	156,236	16
Access Expense	29,853	17,855	11,045	(246)	11,608	17
Depreciation and Amortization	593,974	719,623	703,786	679,125	669,762	18
<b>Total Plant Non-Specific Operations</b>	<b>865,862</b>	<b>970,518</b>	<b>915,191</b>	<b>843,968</b>	<b>837,973</b>	<b>19</b>
Marketing Expense	234,278	229,148	190,523	105,034	129,549	20
Services Expense	358,813	392,736	364,605	397,534	370,216	21
<b>Total Customer Operations</b>	<b>593,091</b>	<b>621,884</b>	<b>555,128</b>	<b>502,568</b>	<b>499,765</b>	<b>22</b>
Executive & Planning	81,807	36,162	49,520	50,037	43,110	23
General & Administrative	356,933	332,250	342,798	349,431	339,018	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>438,740</b>	<b>368,412</b>	<b>392,318</b>	<b>399,468</b>	<b>382,128</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>2,501,902</b>	<b>2,463,905</b>	<b>2,398,841</b>	<b>2,441,990</b>	<b>2,423,626</b>	<b>28</b>
Other Operating Income & Expenses				17,636	585	29
State & Local Income Taxes						30
Other Taxes	182,248	221,018	178,961	189,362	193,394	31
<b>Net Operating Income Before FIT</b>	<b>137,465</b>	<b>98,449</b>	<b>458,022</b>	<b>799,726</b>	<b>780,624</b>	<b>32</b>
Investment Tax Credits - Net		4,035	9,783	9,783	9,783	33
Federal Income Taxes	(1,663,671)	16,941	179,464	258,274	156,603	34
Provision - Def. Operating Income Taxes - Net	49,990	8,952	(55,261)	5,298	86,460	35
<b>Net Operating Income</b>	<b>\$1,751,146</b>	<b>\$76,591</b>	<b>\$343,602</b>	<b>\$545,937</b>	<b>\$547,344</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$1,751,146	\$76,591	\$343,602	\$545,937	\$547,344
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	4,032	3,150			
39 Interest Income	169,889	171,368	359,846	498,383	352,831
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction					
42 Gains/Losses - Disposal of Property					9,647,559
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	(39)	(173)	(458)	(113)	(43)
45 Special Charges	2,429	3,654	2,253	2,887	2,646
46 Total Non-Operating Income & Expenses	171,453	170,691	357,135	495,383	9,997,702
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	1,957,290	22,760	94,010	141,037	3,174,185
48 Other	(807,409)			64,914	868,799
49 Total Non-Operating Taxes	1,149,881	22,760	94,010	205,951	4,042,984
50 Income Available Before Interest Charges	772,718	224,522	606,728	835,369	6,502,062
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	142,239	156,771	170,632	183,798	196,251
52 Other Interest Expense	723	22,545	583	693	626
53 Total Interest Charges	142,962	179,316	171,215	184,491	196,877
54 Income Before Extraordinary & Nonreg Items	629,756	45,205	435,512	650,878	6,305,185
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$629,756	\$45,205	\$435,512	\$650,878	\$6,305,185
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$11,024,702	\$10,994,496	\$10,558,984	\$9,908,106	\$3,602,921
60 Transferred from Income	\$629,756	45,205	435,512	650,878	6,305,185
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments		(15,000)			
65 Ending Year Balance	11,654,458	11,024,702	10,994,496	10,558,984	9,908,106
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$11,654,458	\$11,024,702	\$10,994,496	\$10,558,984	\$9,908,106

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$2,184,662	\$10,249,105	\$4,128,267	\$30,391,069	\$52,605,646
2 Accounts Receivable (Net)	259,680,571	543,942,857	56,910,734	89,041,429	66,986,722
3 Current Deferred Income Taxes		2,989,233		2,989,233	2,647,958
4 Other Current Assets	16,813,892	21,435,701	13,066,492	18,396,854	11,568,899
5 Total Current Assets	278,679,125	578,616,896	74,105,493	140,818,586	133,809,225
<b>NON-CURRENT ASSETS</b>					
6 Investments	268,080,378	(471,226,541)	(163,235,656)	29,402,773	22,888,789
7 Unamortized Debt Issuance Costs			14,343	71,715	130,266
8 Deferred Charges	(567,274)	(1,707,306)	(653,848)	(725,862)	(1,063,236)
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes		282,618,262		271,291,783	78,636,498
11 Other Non-Current Assets	193,384,974	204,581,585	197,071,133	32,860,796	26,162,795
12 Total Non-Current Assets	460,898,078	14,266,000	33,195,972	332,901,205	126,755,112
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	1,357,566,544	1,333,952,521	1,283,195,741	1,157,167,006	1,091,750,365
14 Less: Accumulated Depr and Amort.	737,051,640	680,986,552	633,478,520	586,782,443	580,888,501
15 Net Regulated Plant	620,514,904	652,965,969	649,717,220	570,384,563	510,861,864
16 Total Assets & Other Debits	\$1,360,092,108	\$1,245,848,865	\$757,018,685	\$1,044,104,354	\$771,426,201
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$633,671,315	\$41,409,138	\$58,720,196	\$70,452,377	\$47,622,539
18 Notes Payable					
19 Advanced Billings	4,142,157	4,270,932	4,348,635	4,618,681	4,469,213
20 Customer Deposits	142,824	290,300	213,132	236,815	235,366
21 Current Maturities - Long-Term Debt			40,000,000		
22 Current Deferred Income Taxes		745,969		745,969	277
23 Other Current Liabilities	12,452,874	17,129,971	41,260,486	24,452,196	22,514,966
24 Total Current Liabilities	650,409,169	63,846,310	144,542,449	100,506,038	74,842,361
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt				40,000,000	40,000,000
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		3,271,452	3,271,452	3,271,452	4,037,452
27 Non-Current Deferred Taxes	29,384,773	493,403,672	3,534,736	339,547,024	97,840,728
28 Other Deferred Credits	(9,177,567)	(5,838,466)	(4,284,082)	(617,703)	7,047,075
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	98,872,893	78,461,847	66,846,034	53,379,551	49,649,155
31 Total Other Liab. and Def. Credits	119,080,098	569,298,505	69,368,140	395,580,325	158,574,410
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock					264,627,642
33 Preferred Stock					
34 Other Paid in Capital	451,236,610	451,236,610	451,236,610	450,801,611	(32,462,700)
35 Retained Earnings	139,366,226	161,467,441	91,871,487	57,216,381	265,844,488
36 Total Stockholder's Equity	590,602,836	612,704,051	543,108,097	508,017,992	498,009,430
37 Total Liab. and Stockholder's Equity	\$1,360,092,103	\$1,245,848,865	\$757,018,685	\$1,044,104,354	\$771,426,201

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$170,566,593	\$175,599,570	\$184,888,900	\$178,482,695	\$175,595,245	1
Network Access Services	99,803,373	98,852,179	99,035,318	98,124,216	89,401,758	2
Long Distance Network Services	3,019,353	3,674,965	4,292,125	5,278,731	6,267,516	3
Miscellaneous Revenues	76,939,577	80,617,133	87,046,588	83,336,722	78,917,177	4
Less: Uncollectible Revenues	10,124,761	3,665,668	2,509,555	1,964,733	2,199,590	5
<b>Total Operating Revenues</b>	<b>340,204,135</b>	<b>355,078,179</b>	<b>372,753,377</b>	<b>363,257,630</b>	<b>347,982,106</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	272,333	216,652	380,808	647,450	368,108	7
General Support Expenses	19,069,319	15,007,008	12,398,084	23,742,318	20,462,080	8
Central Office Switching	11,934,277	12,188,583	12,236,161	16,120,879	11,775,048	9
Operator Systems Expense	253,405	396,482	37,716	10,001	30,081	10
Central Office Transmission	3,659,971	3,401,474	4,586,462	4,428,950	4,074,766	11
Info. Origination/Termination	8,637,772	7,228,786	5,583,261	3,748,633	3,481,866	12
Cable & Wire Facilities	33,034,950	28,487,748	28,189,245	36,651,932	24,520,027	13
<b>Total Plant Specific Operations</b>	<b>76,862,025</b>	<b>66,926,732</b>	<b>63,411,737</b>	<b>85,350,165</b>	<b>64,711,976</b>	<b>14</b>
Other Plant, Property & Equipment	1,064	(2,603)				15
Network Operations	24,629,678	21,836,512	27,900,949	23,565,865	24,394,256	16
Access Expense	12,969,581	8,038,606	13,589,412	15,133,217	11,915,766	17
Depreciation and Amortization	31,983,144	63,244,522	59,364,119	56,117,952	63,265,251	18
<b>Total Plant Non-Specific Operations</b>	<b>69,583,467</b>	<b>93,117,037</b>	<b>100,854,479</b>	<b>94,817,034</b>	<b>99,575,273</b>	<b>19</b>
Marketing Expense	9,650,029	10,335,953	11,537,190	6,539,217	3,116,646	20
Services Expense	44,276,658	44,628,579	55,358,033	44,349,749	42,966,201	21
<b>Total Customer Operations</b>	<b>53,926,686</b>	<b>54,964,532</b>	<b>66,895,223</b>	<b>50,888,967</b>	<b>46,082,847</b>	<b>22</b>
Executive & Planning	3,986,616	1,434,134	2,607,209	4,385,146	5,909,453	23
General & Administrative	21,938,521	21,177,787	35,796,463	22,790,074	15,673,939	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>25,925,137</b>	<b>22,611,920</b>	<b>38,403,673</b>	<b>27,175,221</b>	<b>21,583,392</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>226,297,315</b>	<b>237,620,222</b>	<b>269,565,112</b>	<b>258,231,387</b>	<b>231,953,488</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes	(44)					30
Other Taxes	22,166,766	17,239,157	17,253,553	14,578,137	23,092,942	31
<b>Net Operating Income Before FIT</b>	<b>91,740,098</b>	<b>100,218,800</b>	<b>85,934,712</b>	<b>90,448,107</b>	<b>92,935,676</b>	<b>32</b>
Investment Tax Credits - Net				766,000	766,000	33
Federal Income Taxes	(189,078)	(15,623,629)	16,492,791	10,435,265	30,176,876	34
Provision - Def. Operating Income Taxes - Net	16,211,766	26,015,625	12,984,091	50,197,398	(31,680,286)	35
<b>Net Operating Income</b>	<b>\$75,717,410</b>	<b>\$89,826,803</b>	<b>\$56,457,830</b>	<b>\$30,581,444</b>	<b>\$95,205,086</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$75,717,410	\$89,826,803	\$56,457,830	\$30,581,444	\$95,205,086
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	2,789,321	32,821	1,786,499	5,776,924	3,190,392
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	656,573	2,768,830	3,077,930	3,266,823	2,853,877
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	3,544,442	2,908,899	1,975,325	1,624,114	589,526
45 Special Charges	1,062,217	829,611	1,280,918	1,694,097	2,281,530
46 Total Non-Operating Income & Expenses	5,928,119	4,880,939	5,558,836	8,973,764	4,352,265
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes					(147,679)
48 Other					28,800
49 Total Non-Operating Taxes					(118,879)
50 Income Available Before Interest Charges	81,645,529	94,707,742	62,016,667	39,555,208	99,676,230
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt		717,622	3,004,000	3,004,000	3,004,000
52 Other Interest Expense	53,450,211	24,394,165	7,401,847	3,755,898	2,889,302
53 Total Interest Charges	53,450,211	25,111,787	10,405,847	6,759,898	5,893,302
54 Income Before Extraordinary & Nonreg Items	28,195,318	69,595,955	51,610,820	32,795,310	93,782,928
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$28,195,318	\$69,595,955	\$51,610,820	\$32,795,310	\$93,782,928
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$111,170,913	\$91,871,489	\$57,216,381	\$265,844,488	\$172,061,560
60 Transferred from Income	28,195,318	69,595,955	51,610,820	32,795,309	93,782,928
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock				23,000,000	
64 Adjustments	(4)	(50,296,532)	(16,955,711)	(218,423,416)	
65 Ending Year Balance	139,366,226	111,170,913	91,871,489	57,216,381	265,844,488
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$139,366,226	\$111,170,913	\$91,871,489	\$57,216,381	\$265,844,488

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$443,716	\$725,279	\$524,928	\$415,930	\$1,137,755
2 Accounts Receivable (Net)	485,731	507,712	690,873	527,080	423,894
3 Current Deferred Income Taxes					
4 Other Current Assets	357,164	345,171	318,090	238,803	215,658
5 Total Current Assets	1,286,611	1,578,162	1,533,891	1,181,813	1,777,307
<b>NON-CURRENT ASSETS</b>					
6 Investments	586,932	463,506	311,417	308,142	160,957
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	274,213	141,817	150,968	147,453	144,091
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets		147,628	140,440	121,392	127,187
12 Total Non-Current Assets	861,145	752,951	602,825	576,987	432,235
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	15,329,519	14,424,006	13,871,844	13,403,369	12,703,568
14 Less: Accumulated Depr and Amort.	10,651,436	9,860,385	9,019,155	8,297,990	7,548,106
15 Net Regulated Plant	4,678,083	4,563,621	4,852,689	5,105,379	5,155,462
16 Total Assets & Other Debits	\$6,825,839	\$6,894,734	\$6,989,405	\$6,864,179	\$7,365,004
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$131,871	\$188,630	\$182,025	\$188,573	\$180,595
18 Notes Payable					
19 Advanced Billings					
20 Customer Deposits	20,088	21,537	22,512	26,339	26,979
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes					
23 Other Current Liabilities	(51,364)	91,547	153,051	6,924	124,509
24 Total Current Liabilities	100,595	301,714	357,588	221,836	332,083
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt					
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	308,341	251,943	407,102	461,518	408,029
28 Other Deferred Credits	570,495	532,786	532,786	532,786	532,786
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	1,073,529	976,347	904,422	815,708	742,129
31 Total Other Liab. and Def. Credits	1,952,365	1,761,076	1,844,310	1,810,012	1,682,944
<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	4,692,879	4,751,944	4,707,507	4,752,331	5,269,977
36 Total Stockholder's Equity	4,772,879	4,831,944	4,787,507	4,832,331	5,349,977
37 Total Liab. and Stockholder's Equity	\$6,825,839	\$6,894,734	\$6,989,405	\$6,864,179	\$7,365,004

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,464,262	\$1,499,410	\$1,522,329	\$1,372,210	\$1,420,910	1
Network Access Services	2,040,646	2,083,683	1,761,646	1,793,135	2,050,410	2
Long Distance Network Services	992,677	895,643	1,072,286	983,062	880,755	3
Miscellaneous Revenues	827,399	743,240	706,894	751,344	854,997	4
Less: Uncollectible Revenues	16,192	25,735	7,711	(6,319)	(8,952)	5
<b>Total Operating Revenues</b>	<b>5,308,792</b>	<b>5,196,241</b>	<b>5,055,444</b>	<b>4,906,070</b>	<b>5,216,024</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	28,781	53,625	7,069	25,555	2,073	7
General Support Expenses	270,849	238,385	257,863	236,759	249,071	8
Central Office Switching	311,533	205,499	181,986	122,623	146,346	9
Operator Systems Expense						10
Central Office Transmission	20,897	12,450	42,822	17,565	30,241	11
Info. Origination/Termination	253,904	231,286	246,449	249,833	238,755	12
Cable & Wire Facilities	188,883	271,056	189,182	205,937	220,796	13
<b>Total Plant Specific Operations</b>	<b>1,074,847</b>	<b>1,012,301</b>	<b>925,371</b>	<b>858,272</b>	<b>887,282</b>	<b>14</b>
Other Plant, Property & Equipment	66,700	64,151	59,273	57,933	52,756	15
Network Operations	262,994	262,127	249,610	256,880	258,126	16
Access Expense	54,941	41,245	26,248	29,189	25,777	17
Depreciation and Amortization	918,383	891,095	771,838	784,590	737,678	18
<b>Total Plant Non-Specific Operations</b>	<b>1,303,018</b>	<b>1,258,618</b>	<b>1,106,969</b>	<b>1,128,592</b>	<b>1,074,337</b>	<b>19</b>
Marketing Expense	19,707	13,657	7,996	15,858	16,244	20
Services Expense	754,270	704,446	611,426	573,053	565,467	21
<b>Total Customer Operations</b>	<b>773,977</b>	<b>718,103</b>	<b>619,422</b>	<b>588,911</b>	<b>581,711</b>	<b>22</b>
Executive & Planning	541,700	542,000	561,640	586,861	616,172	23
General & Administrative	333,094	367,718	409,703	401,180	369,483	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>874,794</b>	<b>909,718</b>	<b>971,343</b>	<b>988,041</b>	<b>985,655</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>4,026,636</b>	<b>3,898,740</b>	<b>3,623,105</b>	<b>3,563,816</b>	<b>3,528,985</b>	<b>28</b>
Other Operating Income & Expenses						29
State & Local Income Taxes						30
Other Taxes	244,971	161,470	218,598	294,968	337,899	31
<b>Net Operating Income Before FIT</b>	<b>1,037,185</b>	<b>1,136,031</b>	<b>1,213,741</b>	<b>1,047,286</b>	<b>1,349,140</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	261,459	541,502	550,424	453,842	588,597	34
Provision - Def. Operating Income Taxes - Net	112,408	(146,009)	(57,931)	50,127	164,001	35
<b>Net Operating Income</b>	<b>\$663,318</b>	<b>\$740,538</b>	<b>\$721,248</b>	<b>\$543,317</b>	<b>\$596,542</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$663,318	\$740,538	\$721,248	\$543,317	\$596,542
<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					
44 Other Non-Operating Income	123,426	151,989	87,421	144,563	76,918
45 Special Charges	4,009	6,290	11,693	3,726	7,125
46 Total Non-Operating Income & Expenses	119,417	145,699	75,728	140,837	69,793
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes					
48 Other					
49 Total Non-Operating Taxes					
50 Income Available Before Interest Charges	782,735	886,237	796,976	684,154	666,335
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	1,800	1,800	1,800	1,800	1,800
53 Total Interest Charges	1,800	1,800	1,800	1,800	1,800
54 Income Before Extraordinary & Nonreg Items	780,935	884,437	795,176	682,354	664,535
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$780,935	\$884,437	\$795,176	\$682,354	\$664,535
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$4,751,944	\$4,707,507	\$4,752,331	\$5,269,977	\$5,805,442
60 Transferred from Income	780,935	884,437	795,176	682,354	664,535
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	840,000	840,000	840,000	1,200,000	1,200,000
64 Adjustments					
65 Ending Year Balance	4,692,879	4,751,944	4,707,507	4,752,331	5,269,977
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$4,692,879	\$4,751,944	\$4,707,507	\$4,752,331	\$5,269,977

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$752,017	\$468,951	\$275,926	\$155,795	\$854,714
2 Accounts Receivable (Net)	6,892,224	8,180,538	4,788,497	8,222,196	2,950,533
3 Current Deferred Income Taxes	225,714	262,200	200,312	204,348	136,478
4 Other Current Assets	796,824	796,865	890,683	850,251	838,091
5 Total Current Assets	8,666,779	9,708,554	6,155,417	9,432,589	4,779,816
<b>NON-CURRENT ASSETS</b>					
6 Investments	2,689,498	3,649,721	5,079,481	4,871,672	1,984,536
7 Unamortized Debt Issuance Costs					
8 Deferred Charges	556,234	556,234	556,234	624,950	762,382
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	932,585	741,693	459,136	351,401	709,948
11 Other Non-Current Assets					
12 Total Non-Current Assets	4,178,317	4,947,648	6,094,851	5,848,023	3,456,866
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	64,391,345	63,392,303	61,930,356	58,143,877	53,241,919
14 Less: Accumulated Depr and Amort.	36,110,244	33,047,625	30,770,662	27,709,291	25,605,159
15 Net Regulated Plant	28,281,101	30,344,678	31,159,694	30,434,587	27,636,760
16 Total Assets & Other Debits	\$41,126,197	\$45,000,880	\$43,409,962	\$45,715,199	\$35,873,442
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$5,761,192	\$5,426,640	\$4,504,662	\$8,561,045	\$2,466,332
18 Notes Payable					
19 Advanced Billings	2,500	2,500	2,500	4,297	4,294
20 Customer Deposits	8,419	10,538	10,746	22,084	24,558
21 Current Maturities - Long-Term Debt	465,858	424,980	388,641	355,429	410,989
22 Current Deferred Income Taxes					
23 Other Current Liabilities	654,102	966,295	226,029	1,321,894	663,028
24 Total Current Liabilities	6,892,071	6,830,953	5,132,578	10,264,749	3,569,201
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	4,433,658	4,897,195	5,319,754	5,708,903	6,058,535
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	36,295	52,603	75,199	110,603	158,279
27 Non-Current Deferred Taxes	2,410,043	2,685,866	2,869,661	3,036,066	3,195,728
28 Other Deferred Credits	2,205,897	2,057,501	1,876,964	1,766,059	1,587,453
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	43,655	47,377	46,447	46,081	55,851
31 Total Other Liab. and Def. Credits	4,695,890	4,843,347	4,868,270	4,958,809	4,997,312
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	677,719	677,719	677,719	677,719	677,719
33 Preferred Stock					
34 Other Paid in Capital	1,581,615	1,581,615	1,581,615	1,581,615	1,581,615
35 Retained Earnings	22,845,244	26,170,051	25,830,026	22,523,404	18,989,060
36 Total Stockholder's Equity	25,104,578	28,429,385	28,089,359	24,782,738	21,248,394
37 Total Liab. and Stockholder's Equity	\$41,126,197	\$45,000,880	\$43,409,962	\$45,715,199	\$35,873,442

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$7,181,223	\$6,855,738	\$6,585,311	\$6,259,087	\$6,030,134	1
Network Access Services	11,964,054	11,070,116	10,510,349	9,731,364	9,046,622	2
Long Distance Network Services	81,678	141,646	232,532	286,567	374,554	3
Miscellaneous Revenues	1,427,684	2,537,387	2,647,298	3,395,081	3,666,000	4
Less: Uncollectible Revenues	(15,015)	419,325	156,900	117,203	114,270	5
<b>Total Operating Revenues</b>	<b>20,669,654</b>	<b>20,185,562</b>	<b>19,818,589</b>	<b>19,554,896</b>	<b>19,003,040</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	4,925	9,694	9,276	16,444	37,660	7
General Support Expenses	794,479	405,689	458,481	527,738	508,855	8
Central Office Switching	739,617	772,619	821,161	804,088	619,341	9
Operator Systems Expense	367	167	1,572	1,725	1,228	10
Central Office Transmission	136,917	136,392	107,497	116,105	91,983	11
Info. Origination/Termination		250,323	357,508	342,126	244,192	12
Cable & Wire Facilities	1,588,292	1,726,145	1,423,945	1,504,217	1,218,538	13
<b>Total Plant Specific Operations</b>	<b>3,264,597</b>	<b>3,301,029</b>	<b>3,179,440</b>	<b>3,312,443</b>	<b>2,721,797</b>	<b>14</b>
Other Plant, Property & Equipment	956	17,768	14,626	10,117	1,687	15
Network Operations	1,342,498	1,763,968	1,436,009	1,412,691	1,463,848	16
Access Expense	318,170	173,643	120,824	85,217	104,568	17
Depreciation and Amortization	4,050,578	3,945,279	3,428,856	3,153,017	3,105,111	18
<b>Total Plant Non-Specific Operations</b>	<b>5,712,202</b>	<b>5,900,658</b>	<b>5,000,315</b>	<b>4,661,042</b>	<b>4,675,214</b>	<b>19</b>
Marketing Expense	382,232	450,837	532,844	443,102	341,507	20
Services Expense	1,265,434	1,619,244	1,606,887	1,757,274	1,986,553	21
<b>Total Customer Operations</b>	<b>1,647,666</b>	<b>2,070,081</b>	<b>2,139,731</b>	<b>2,200,376</b>	<b>2,328,059</b>	<b>22</b>
Executive & Planning	996,474	1,827,631	2,218,175	1,951,246	1,885,942	23
General & Administrative	2,675,971	1,710,803	1,671,687	1,678,657	1,545,259	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>3,672,445</b>	<b>3,538,434</b>	<b>3,889,862</b>	<b>3,629,903</b>	<b>3,431,201</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>14,296,910</b>	<b>14,810,202</b>	<b>14,209,348</b>	<b>13,803,764</b>	<b>13,156,272</b>	<b>28</b>
Other Operating Income & Expenses	14,605					29
State & Local Income Taxes	13,468	10,948	8,800	5,091	616	30
Other Taxes	935,768	763,150	1,099,528	1,093,025	1,236,528	31
<b>Net Operating Income Before FIT</b>	<b>5,438,112</b>	<b>4,601,262</b>	<b>4,500,913</b>	<b>4,653,016</b>	<b>4,609,624</b>	<b>32</b>
Investment Tax Credits - Net	16,308	22,596	35,404	47,676	54,016	33
Federal Income Taxes	1,920,027	1,743,514	1,564,984	2,849,993	2,395,676	34
Provision - Def. Operating Income Taxes - Net	(218,971)	(322,688)	(93,514)	(299,125)	(341,124)	35
<b>Net Operating Income</b>	<b>\$3,753,364</b>	<b>\$3,203,032</b>	<b>\$3,064,847</b>	<b>\$2,149,824</b>	<b>\$2,609,088</b>	<b>36</b>

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

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
37 <b>Net Operating Income</b>	\$3,753,364	\$3,203,032	\$3,064,847	\$2,149,824	\$2,609,088
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income	7	829		7,852	21,512
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	82,125	99,281	164,734	138,608	115,266
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	657,632	852,861	530,870	268,314	6,375,213
44 Other Non-Operating Income	8,920,085	6,770,932	4,436,743	3,570,363	1,839,903
45 Special Charges	13,373	7,914	20,100	16,685	18,211
46 Total Non-Operating Income & Expenses	9,646,476	7,715,989	5,112,247	3,968,452	8,333,683
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	3,024,523	2,282,005	1,369,419		
48 Other	39,021	59,153	49,670		
49 Total Non-Operating Taxes	3,063,544	2,341,158	1,419,089		
50 Income Available Before Interest Charges	10,336,297	8,577,863	6,758,005	6,118,276	10,942,771
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	484,040	525,860	557,037	591,834	615,470
52 Other Interest Expense	18,062	979	1,346	1,099	10,225
53 Total Interest Charges	502,102	526,839	558,383	592,933	625,695
54 Income Before Extraordinary & Nonreg Items	9,834,194	8,051,025	6,199,623	5,525,344	10,317,076
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$9,834,194	\$8,051,025	\$6,199,623	\$5,525,344	\$10,317,076
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$26,600,850	\$26,293,687	\$23,270,935	\$19,194,405	\$18,739,542
60 Transferred from Income	9,176,562	7,198,163	5,668,753	5,257,030	3,941,863
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	13,159,000	7,711,000	2,893,000	1,991,000	12,070,000
64 Adjustments	432,000	820,000	247,000	810,500	8,583,000
65 Ending Year Balance	23,050,413	26,600,850	26,293,687	23,270,935	19,194,405
66 Appropriated/Undistr Affiliate Retained Earnings	(205,168)	(430,800)	(463,661)	(747,531)	(205,345)
67 <b>Total Retained Earnings</b>	\$22,845,245	\$26,170,051	\$25,830,026	\$22,523,404	\$18,989,060

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$566,077	\$740,820	\$1,132,364	\$899,866	\$742,907
2 Accounts Receivable (Net)	676,017	687,164	736,014	911,037	687,671
3 Current Deferred Income Taxes					
4 Other Current Assets	80,629	110,741	92,172	93,436	152,708
5 Total Current Assets	1,322,723	1,538,725	1,960,551	1,904,339	1,583,286
<b>NON-CURRENT ASSETS</b>					
6 Investments	178,800	178,800	178,800	221,289	221,289
7 Unamortized Debt Issuance Costs	7,547	8,683	9,819	10,955	12,091
8 Deferred Charges	28,632	46,715	5,057		
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets					
12 Total Non-Current Assets	214,979	234,198	193,675	232,244	233,380
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	16,508,882	15,900,208	15,046,640	14,480,120	13,425,492
14 Less: Accumulated Depr and Amort.	7,360,861	7,301,074	7,039,997	6,477,280	5,312,565
15 Net Regulated Plant	9,148,021	8,599,134	8,006,643	8,002,840	8,112,926
16 Total Assets & Other Debits	\$10,685,723	\$10,372,057	\$10,160,869	\$10,139,422	\$9,929,593
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$527,949	\$568,367	\$411,574	\$345,626	\$566,645
18 Notes Payable					349,000
19 Advanced Billings	52,801	50,440	45,178	39,072	51,353
20 Customer Deposits					
21 Current Maturities - Long-Term Debt	212,500	202,707	193,372	184,493	176,050
22 Current Deferred Income Taxes	(525)				2,516
23 Other Current Liabilities	52,532	49,853	55,456	64,164	192,151
24 Total Current Liabilities	845,257	871,367	705,579	633,355	1,337,715
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	3,274,746	3,486,359	3,688,204	3,880,751	4,064,345
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC			1	7,981	19,057
27 Non-Current Deferred Taxes	1,181,262	1,042,171	978,125	1,014,057	993,019
28 Other Deferred Credits	550,911	657,737	671,314	812,332	5,556
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	571,394	300,589	243,769	87,721	76,244
31 Total Other Liab. and Def. Credits	2,303,567	2,000,498	1,893,209	1,922,091	1,093,876
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	10,000	10,000	10,000	48,400	48,400
33 Preferred Stock					
34 Other Paid in Capital	68,739	68,739	68,739	30,339	30,339
35 Retained Earnings	4,183,414	3,935,095	3,795,139	3,624,487	3,354,917
36 Total Stockholder's Equity	4,262,153	4,013,833	3,873,877	3,703,225	3,433,656
37 Total Liab. and Stockholder's Equity	\$10,685,723	\$10,372,056	\$10,160,869	\$10,139,422	\$9,929,591

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,156,224	\$1,047,670	\$974,697	\$1,028,155	\$1,010,940	1
Network Access Services	2,201,236	1,946,151	2,484,709	2,100,335	1,815,492	2
Long Distance Network Services						3
Miscellaneous Revenues	609,774	466,877	673,742	755,422	541,994	4
Less: Uncollectible Revenues	(6,070)	25,472	3,804	7,801	5,195	5
Total Operating Revenues	3,973,304	3,435,226	4,129,343	3,876,111	3,363,231	6
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	26,714	25,909	19,289	22,519	21,994	7
General Support Expenses	85,313	54,217	57,091	78,318	79,925	8
Central Office Switching	117,756	97,375	71,919	53,514	70,853	9
Operator Systems Expense						10
Central Office Transmission	38,140	28,970	25,533	16,410	15,727	11
Info. Origination/Termination	190,538	183,072	182,282	140,395	91,388	12
Cable & Wire Facilities	197,239	120,202	114,722	171,726	(218,052)	13
Total Plant Specific Operations	655,700	509,745	470,836	482,882	61,835	14
Other Plant, Property & Equipment			(576)	5,409	5,662	15
Network Operations	301,792	282,088	314,687	334,621	372,004	16
Access Expense	48,976	23,256	15,021	11,220	12,108	17
Depreciation and Amortization	607,086	564,005	1,002,188	931,498	855,846	18
Total Plant Non-Specific Operations	957,854	869,349	1,331,320	1,282,748	1,245,620	19
Marketing Expense	249,465	218,204	195,532	158,232	230,944	20
Services Expense	439,232	427,546	572,352	518,858	527,319	21
Total Customer Operations	688,697	645,750	767,884	677,090	758,263	22
Executive & Planning	81,783	106,052	165,468	141,998	210,166	23
General & Administrative	847,141	678,508	711,090	459,816	592,479	24
Provision - Uncollectible Notes Rec.						25
Other						26
Total Corporate Operations	928,924	784,560	876,558	601,814	802,645	27
Total Operations Expense	3,231,175	2,809,404	3,446,598	3,044,535	2,868,363	28
Other Operating Income & Expenses			(15,755)	168	7,816	29
State & Local Income Taxes						30
Other Taxes	199,756	196,417	198,870	210,456	225,965	31
<b>Net Operating Income Before FIT</b>	<b>542,373</b>	<b>429,405</b>	<b>468,120</b>	<b>621,289</b>	<b>276,719</b>	<b>32</b>
Investment Tax Credits - Net			7,980	11,076	11,076	33
Federal Income Taxes	(47,529)	12,489	117,504	158,265	130,751	34
Provision - Def. Operating Income Taxes - Net	138,567	64,046	(35,932)	(16,393)	(151,051)	35
<b>Net Operating Income</b>	<b>\$451,335</b>	<b>\$352,870</b>	<b>\$394,528</b>	<b>\$490,493</b>	<b>\$308,095</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$451,335	\$352,870	\$394,528	\$490,493	\$308,095
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	16,506	12,726			
39 Interest Income	7,937	21,787	36,798	51,747	29,415
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction				8	1,914
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	(360)	(360)	(655)	1,512	640
45 Special Charges	2,929	3,427	4,797	38,084	3,369
46 Total Non-Operating Income & Expenses	21,154	30,726	31,346	15,183	28,600
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	7,896	4,931	7,218	17,117	28,391
48 Other					
49 Total Non-Operating Taxes	7,896	4,931	7,218	17,117	28,391
50 Income Available Before Interest Charges	464,593	378,664	418,656	488,559	308,304
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	181,166	190,193	198,834	208,116	216,471
52 Other Interest Expense	35,107	48,516	49,169	10,874	66,812
53 Total Interest Charges	216,273	238,709	248,003	218,990	283,283
54 Income Before Extraordinary & Nonreg Items	248,320	139,956	170,653	269,569	25,021
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$248,320	\$139,956	\$170,653	\$269,569	\$25,021
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$3,935,095	\$3,795,139	\$3,624,487	\$3,354,918	\$3,329,897
60 Transferred from Income	248,320	139,956	170,653	269,569	25,020
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments					
65 Ending Year Balance	4,183,415	3,935,095	3,795,139	3,624,487	3,354,917
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	\$4,183,415	\$3,935,095	\$3,795,139	\$3,624,487	\$3,354,917

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$2,326,917	\$1,527,623	\$2,191,639	\$4,458,859	\$4,644,345
2 Accounts Receivable (Net)	1,052,994	1,172,389	961,054	1,072,609	906,993
3 Current Deferred Income Taxes	152	152	152	152	152
4 Other Current Assets	458,713	590,103	578,897	519,199	542,363
5 Total Current Assets	3,838,776	3,290,267	3,731,742	6,050,819	6,093,853
<b>NON-CURRENT ASSETS</b>					
6 Investments	980,355	985,157	1,145,929	1,218,634	1,679,737
7 Unamortized Debt Issuance Costs	21,600	24,583			
8 Deferred Charges	21,478	39,857			175,503
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	368,349	112,669	180,953	158,001	142,660
11 Other Non-Current Assets	2,938,357	2,607,870	2,832,883	879,880	810,062
12 Total Non-Current Assets	4,330,139	3,770,136	4,159,765	2,256,515	2,807,962
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	21,002,685	18,794,909	18,087,510	16,395,916	15,627,278
14 Less: Accumulated Depr and Amort.	9,717,699	8,869,357	8,618,614	7,972,431	7,608,541
15 Net Regulated Plant	11,284,986	9,925,551	9,468,896	8,423,485	8,018,737
16 Total Assets & Other Debits	\$19,453,901	\$16,985,954	\$17,360,403	\$16,730,819	\$16,920,552
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$989,524	\$865,495	\$912,796	\$745,346	\$837,068
18 Notes Payable	381,911	325,596	1,059,921	257,634	224,327
19 Advanced Billings	47,432	42,931	48,625	47,683	40,703
20 Customer Deposits				675	704
21 Current Maturities - Long-Term Debt	128,542	514,286	564,286	634,286	634,286
22 Current Deferred Income Taxes					
23 Other Current Liabilities	574,753	180,972	345,725	425,670	56,890
24 Total Current Liabilities	2,122,162	1,929,280	2,931,353	2,111,294	1,793,978
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	2,500,000	1,628,572	642,857	1,207,143	1,841,429
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC		13,035	28,303	43,571	58,839
27 Non-Current Deferred Taxes	2,068,256	1,555,679	1,604,009	1,712,752	1,990,410
28 Other Deferred Credits	482,015	361,336	344,818	357,129	366,323
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	494,876	336,039	268,932	136,884	175,504
31 Total Other Liab. and Def. Credits	3,045,147	2,266,089	2,246,062	2,250,336	2,591,076
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	240,000	240,000	240,000	240,000	240,000
33 Preferred Stock					
34 Other Paid in Capital	(2,424,978)	(4,288,025)	(2,721,224)	(2,716,374)	(2,610,109)
35 Retained Earnings	13,971,570	15,210,038	14,021,355	13,638,420	13,064,178
36 Total Stockholder's Equity	11,786,592	11,162,013	11,540,131	11,162,046	10,694,069
37 Total Liab. and Stockholder's Equity	\$19,453,901	\$16,985,954	\$17,360,403	\$16,730,819	\$16,920,552

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$1,853,969	\$1,615,638	\$1,600,142	\$1,707,478	\$1,575,943	1
Network Access Services	3,116,693	2,950,033	2,927,758	2,804,783	2,495,550	2
Long Distance Network Services						3
Miscellaneous Revenues	546,838	615,148	548,781	611,798	631,476	4
Less: Uncollectible Revenues	16,982	17,661	15,046	16,059	20,242	5
<b>Total Operating Revenues</b>	<b>5,500,518</b>	<b>5,163,158</b>	<b>5,061,635</b>	<b>5,108,000</b>	<b>4,682,727</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	7,217	17,063	17,233	21,129	15,786	7
General Support Expenses	224,189	172,515	170,164	220,372	217,630	8
Central Office Switching	270,432	193,202	242,391	238,392	230,557	9
Operator Systems Expense						10
Central Office Transmission	267,359	174,858	149,668	115,158	67,305	11
Info. Origination/Termination	67,196	31,236	34,166	10,195	6,066	12
Cable & Wire Facilities	672,230	710,912	722,862	738,332	557,342	13
<b>Total Plant Specific Operations</b>	<b>1,508,623</b>	<b>1,299,786</b>	<b>1,336,484</b>	<b>1,343,578</b>	<b>1,094,686</b>	<b>14</b>
Other Plant, Property & Equipment					88	15
Network Operations	276,653	283,609	208,837	186,619	161,081	16
Access Expense	66,026	49,738	34,463	33,843	23,969	17
Depreciation and Amortization	1,049,508	1,198,817	1,134,405	985,715	935,690	18
<b>Total Plant Non-Specific Operations</b>	<b>1,392,187</b>	<b>1,532,164</b>	<b>1,377,705</b>	<b>1,206,177</b>	<b>1,120,828</b>	<b>19</b>
Marketing Expense	86,102	190,945	112,554	67,294	34,651	20
Services Expense	625,852	662,341	588,046	634,530	667,918	21
<b>Total Customer Operations</b>	<b>711,954</b>	<b>853,286</b>	<b>700,600</b>	<b>701,824</b>	<b>702,569</b>	<b>22</b>
Executive & Planning	433,493	418,367	421,610	466,630	407,505	23
General & Administrative	713,029	695,591	633,360	605,957	520,284	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>1,146,522</b>	<b>1,113,958</b>	<b>1,054,970</b>	<b>1,072,587</b>	<b>927,789</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>4,759,286</b>	<b>4,799,194</b>	<b>4,469,759</b>	<b>4,324,166</b>	<b>3,845,872</b>	<b>28</b>
Other Operating Income & Expenses	(1,170)	202	2,018	(8,717)	2,775	29
State & Local Income Taxes						30
Other Taxes	337,677	285,353	264,654	259,748	264,382	31
<b>Net Operating Income Before FIT</b>	<b>402,385</b>	<b>78,813</b>	<b>329,240</b>	<b>515,369</b>	<b>575,248</b>	<b>32</b>
Investment Tax Credits - Net	4,413	15,268	15,268	15,268	15,268	33
Federal Income Taxes	(112,046)	(131,017)	40,654	216,317	(5,950)	34
Provision - Def. Operating Income Taxes - Net	202,378	91,433	(18,603)	(121,665)	25,299	35
<b>Net Operating Income</b>	<b>\$316,466</b>	<b>\$133,665</b>	<b>\$322,457</b>	<b>\$435,985</b>	<b>\$571,167</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$316,466	\$133,665	\$322,457	\$435,985	\$571,167
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	2,500				3,302
39 Interest Income	15,328	77,577	140,847	260,906	200,228
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	44,883	35,139	55,913	38,440	10,734
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies	(1,419,378)	1,294,893	63,452	(13,436)	50,435
44 Other Non-Operating Income	3,123	(230,933)	141,953	305,793	449,895
45 Special Charges	22,755	7,657	23,323	11,768	(7,083)
46 Total Non-Operating Income & Expenses	(1,376,299)	1,169,019	378,842	579,935	721,677
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	(2,475)	(117,299)	85,995	159,148	220,593
48 Other		1,500	6,200	20,000	24,000
49 Total Non-Operating Taxes	(2,475)	(115,799)	92,195	179,148	244,593
50 Income Available Before Interest Charges	(1,057,358)	1,418,483	609,104	836,772	1,048,251
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	102,277	105,127	116,471	168,821	213,215
52 Other Interest Expense	9,992	56,159	55,783	40,940	69,015
53 Total Interest Charges	112,269	161,286	172,254	209,761	282,230
54 Income Before Extraordinary & Nonreg Items	(1,169,627)	1,257,197	436,850	627,011	766,021
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	(\$1,169,627)	\$1,257,197	\$436,850	\$627,011	\$766,021
<hr/>					
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$14,046,751	\$14,152,961	\$13,833,478	\$13,152,096	\$12,488,363
60 Transferred from Income	249,751	(37,696)	373,398	640,447	715,586
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock	68,841	68,514	53,915	52,769	51,853
64 Adjustments				93,704	
65 Ending Year Balance	14,227,661	14,046,751	14,152,961	13,833,478	13,152,096
66 Appropriated/Undistr Affiliate Retained Earnings	(256,092)	1,163,286	(131,607)	(195,059)	(87,919)
67 <b>Total Retained Earnings</b>	\$13,971,569	\$15,210,037	\$14,021,354	\$13,638,419	\$13,064,177

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$760,703	\$491,019	\$201,018	\$277,833	\$439,110
2 Accounts Receivable (Net)	388,740	414,348	628,260	568,316	613,007
3 Current Deferred Income Taxes					
4 Other Current Assets	184,617	112,620	109,739	100,643	107,654
5 Total Current Assets	1,334,060	1,017,986	939,017	946,792	1,159,771
<b>NON-CURRENT ASSETS</b>					
6 Investments	19,152	19,152	19,152	19,152	19,152
7 Unamortized Debt Issuance Costs				5,592	5,592
8 Deferred Charges					
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes					
11 Other Non-Current Assets					
12 Total Non-Current Assets	19,152	19,152	19,152	24,744	24,744
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	9,453,378	9,633,059	9,466,385	9,263,414	8,790,346
14 Less: Accumulated Depr and Amort.	3,491,201	3,519,207	3,089,343	2,629,845	2,195,380
15 Net Regulated Plant	5,962,177	6,113,853	6,377,042	6,633,569	6,594,966
16 Total Assets & Other Debits	\$7,315,389	\$7,150,991	\$7,335,212	\$7,605,105	\$7,779,481
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$207,047	\$210,141	\$200,652	\$385,243	\$325,518
18 Notes Payable	2,873,062	2,873,062	3,178,062	4,398,062	4,653,062
19 Advanced Billings	15,134	14,974	14,008	13,940	10,206
20 Customer Deposits	7,409				40
21 Current Maturities - Long-Term Debt					
22 Current Deferred Income Taxes	(1,470)				
23 Other Current Liabilities	77,101	97,465	58,269	76,152	49,868
24 Total Current Liabilities	3,178,283	3,195,642	3,450,991	4,873,398	5,038,694
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt					
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC					
27 Non-Current Deferred Taxes	766,092	699,103	685,426	607,042	566,194
28 Other Deferred Credits					
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	42,346	23,948	49,624	39,475	34,396
31 Total Other Liab. and Def. Credits	808,438	723,051	735,050	646,517	600,590
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
33 Preferred Stock					
34 Other Paid in Capital	1,039,139	1,039,139	1,039,139	39,139	39,139
35 Retained Earnings	(110,471)	(206,841)	(289,969)	(353,949)	(298,942)
36 Total Stockholder's Equity	3,328,668	3,232,298	3,149,170	2,085,190	2,140,197
37 Total Liab. and Stockholder's Equity	\$7,315,389	\$7,150,991	\$7,335,212	\$7,605,105	\$7,779,481

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$980,471	\$953,609	\$920,510	\$855,937	\$819,143	1
Network Access Services	1,064,799	939,264	1,072,390	1,065,239	1,093,041	2
Long Distance Network Services						3
Miscellaneous Revenues	344,139	404,442	442,957	463,837	451,911	4
Less: Uncollectible Revenues	16,722	22,324	6,024	7,688	6,952	5
<b>Total Operating Revenues</b>	<b>2,372,687</b>	<b>2,274,991</b>	<b>2,429,833</b>	<b>2,377,325</b>	<b>2,357,143</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	18,082	13,719	14,964	14,376	11,774	7
General Support Expenses	50,884	48,238	50,615	44,158	64,897	8
Central Office Switching	71,190	68,262	63,796	77,398	84,946	9
Operator Systems Expense						10
Central Office Transmission	23,236	19,394	10,110	13,920	8,518	11
Info. Origination/Termination	143,297	155,196	160,507	235,142	305,999	12
Cable & Wire Facilities	78,372	80,149	83,459	92,442	79,701	13
<b>Total Plant Specific Operations</b>	<b>385,061</b>	<b>384,958</b>	<b>383,451</b>	<b>477,436</b>	<b>555,835</b>	<b>14</b>
Other Plant, Property & Equipment			(475)	(262)	6,046	15
Network Operations	291,130	282,481	240,296	211,307	195,174	16
Access Expense	14,926	6,344		(260)	10,575	17
Depreciation and Amortization	506,455	492,193	546,663	513,603	502,239	18
<b>Total Plant Non-Specific Operations</b>	<b>812,511</b>	<b>781,018</b>	<b>786,484</b>	<b>724,388</b>	<b>714,034</b>	<b>19</b>
Marketing Expense	128,261	118,975	99,359	68,693	100,932	20
Services Expense	281,405	332,688	309,872	323,903	282,461	21
<b>Total Customer Operations</b>	<b>409,666</b>	<b>451,664</b>	<b>409,231</b>	<b>392,596</b>	<b>383,393</b>	<b>22</b>
Executive & Planning	29,393	28,530	43,490	44,715	55,426	23
General & Administrative	336,985	221,564	281,110	283,927	274,122	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>366,378</b>	<b>250,095</b>	<b>324,601</b>	<b>328,642</b>	<b>329,548</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>1,973,616</b>	<b>1,867,734</b>	<b>1,903,767</b>	<b>1,923,062</b>	<b>1,982,810</b>	<b>28</b>
Other Operating Income & Expenses				2,017	4,057	29
State & Local Income Taxes						30
Other Taxes	127,964	121,466	117,456	119,723	121,953	31
<b>Net Operating Income Before FIT</b>	<b>271,107</b>	<b>285,791</b>	<b>408,610</b>	<b>336,557</b>	<b>256,437</b>	<b>32</b>
Investment Tax Credits - Net						33
Federal Income Taxes	(16,554)	37,622	(49,919)	(80,223)	(136,281)	34
Provision - Def. Operating Income Taxes - Net	65,519	13,677	78,384	40,849	120,026	35
<b>Net Operating Income</b>	<b>\$222,142</b>	<b>\$234,492</b>	<b>\$380,145</b>	<b>\$375,931</b>	<b>\$272,692</b>	<b>36</b>

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

	2003	2002	2001	2000	1999
37 <b>Net Operating Income</b>	\$222,142	\$234,492	\$380,145	\$375,931	\$272,692
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income	5,670	5,670	7,358	7,628	7,425
39 Interest Income	8,761	3,144	7,918	14,537	17,660
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction				2,733	
42 Gains/Losses - Disposal of Property					
43 Equity in Earnings of Affiliated Companies					
44 Other Non-Operating Income	(172)			(49)	(22)
45 Special Charges	1,629	3,247	2,287	2,130	2,478
46 Total Non-Operating Income & Expenses	12,630	5,567	12,989	22,718	22,585
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	3,787	1,891	3,653	7,910	(27,201)
48 Other					
49 Total Non-Operating Taxes	3,787	1,891	3,653	7,910	(27,201)
50 Income Available Before Interest Charges	230,985	238,168	389,481	390,740	322,478
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt					
52 Other Interest Expense	134,615	155,040	325,501	445,746	401,133
53 Total Interest Charges	134,615	155,040	325,501	445,746	401,133
54 Income Before Extraordinary & Nonreg Items	96,370	83,128	63,980	(55,007)	(78,655)
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	\$96,370	\$83,128	\$63,980	(\$55,007)	(\$78,655)
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	(\$206,841)	(\$289,969)	(\$353,949)	(\$298,942)	(\$220,287)
60 Transferred from Income	96,370	83,128	63,980	(55,007)	(78,655)
61 Appropriations					
Dividends Declared:					
62 Preferred Stock					
63 Common Stock					
64 Adjustments					
65 Ending Year Balance	(110,471)	(206,841)	(289,969)	(353,949)	(298,942)
66 Appropriated/Undistr Affiliate Retained Earnings					
67 <b>Total Retained Earnings</b>	(\$110,471)	(\$206,841)	(\$289,969)	(\$353,949)	(\$298,942)

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

	2003	2002	2001	2000	1999
<b>CURRENT ASSETS</b>					
1 Cash and Temporary Cash Investments	\$2,856,999	\$510,089	\$421,997	\$560,732	\$613,847
2 Accounts Receivable (Net)	10,341,308	7,263,531	3,487,072	3,831,022	3,758,657
3 Current Deferred Income Taxes					
4 Other Current Assets	1,472,334	1,554,212	2,455,435	1,883,467	1,288,917
5 Total Current Assets	14,670,641	9,327,832	6,364,504	6,275,221	5,661,421
<b>NON-CURRENT ASSETS</b>					
6 Investments	9,366,575	11,701,452	8,746,966	8,093,230	4,117,186
7 Unamortized Debt Issuance Costs	115,195	5,063	10,347	15,630	23,374
8 Deferred Charges	509,940	27,007	(29,219)	93,613	224,845
9 Other Jurisdictional Assets - Net					
10 Non-Current Deferred Income Taxes	1,865,746	775,585	469,125	375,225	339,199
11 Other Non-Current Assets	744,102	831,419			
12 Total Non-Current Assets	12,601,558	13,340,527	9,197,219	8,577,698	4,704,604
<b>REGULATED PLANT</b>					
13 Total Telecommunications Plant	59,799,701	57,266,736	55,372,825	47,309,208	43,850,988
14 Less: Accumulated Depr and Amort.	25,279,795	23,213,563	22,800,517	20,120,454	17,706,103
15 Net Regulated Plant	34,519,907	34,053,173	32,572,307	27,188,754	26,144,885
16 Total Assets & Other Debits	\$61,792,106	\$56,721,533	\$48,134,030	\$42,041,672	\$36,510,910
<b>CURRENT LIABILITIES</b>					
17 Accounts Payable	\$3,333,586	\$3,711,753	\$2,926,366	\$3,414,863	\$2,547,088
18 Notes Payable		5,000,000	6,250,000	4,950,000	900,000
19 Advanced Billings	216,778	216,510	202,162	190,963	177,725
20 Customer Deposits	135,089	125,194	127,502	129,190	126,409
21 Current Maturities - Long-Term Debt		4,000,000			3,000,000
22 Current Deferred Income Taxes					
23 Other Current Liabilities	3,001,730	2,311,442	240,627	(232,914)	145,051
24 Total Current Liabilities	6,687,183	15,364,899	9,746,657	8,452,102	6,896,273
<b>LONG-TERM DEBT</b>					
25 Long-Term Debt	7,149,073		4,000,000	4,000,000	4,000,000
<b>OTHER LIAB. &amp; DEFERRED CREDITS</b>					
26 Unamortized ITC	10,693	21,493	46,590	81,047	118,247
27 Non-Current Deferred Taxes	5,073,000	4,235,728	2,771,021	2,583,096	2,418,263
28 Other Deferred Credits	21,637	19,493	30,983	47,218	65,040
29 Other Jurisdictional Differences - Net					
30 Other Liabilities	4,511,253	1,713,409	642,790	484,276	283,376
31 Total Other Liab. and Def. Credits	9,616,583	5,990,123	3,491,384	3,195,637	2,884,926
<b>STOCKHOLDER'S EQUITY</b>					
32 Common Stock	59,846	3,481,441	3,471,077	3,450,465	3,367,607
33 Preferred Stock	500,000	500,000	500,000	500,000	500,000
34 Other Paid in Capital	(125,029)	(3,598,160)	(3,384,800)	(3,384,800)	(2,780,290)
35 Retained Earnings	37,904,450	34,983,227	30,309,712	25,828,268	21,642,392
36 Total Stockholder's Equity	38,339,267	35,366,508	30,895,989	26,393,933	22,729,709
37 Total Liab. and Stockholder's Equity	\$61,792,106	\$56,721,530	\$48,134,030	\$42,041,672	\$36,510,908

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

<b>INCOME STATEMENT</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	
<b>TELEPHONE OPERATING REVENUES</b>						
Local Network Services	\$4,245,807	\$4,439,838	\$4,249,452	\$3,968,037	\$3,545,975	1
Network Access Services	11,014,877	10,721,722	9,328,793	8,057,562	7,010,416	2
Long Distance Network Services	1,828,125	2,007,478	2,124,913	2,357,125	2,624,569	3
Miscellaneous Revenues	5,059,119	4,649,371	5,119,099	5,297,959	4,059,361	4
Less: Uncollectible Revenues	146,400	465,329	91,047	40,274	35,712	5
<b>Total Operating Revenues</b>	<b>22,001,528</b>	<b>21,353,080</b>	<b>20,731,210</b>	<b>19,640,409</b>	<b>17,204,609</b>	<b>6</b>
<b>TELEPHONE OPERATING EXPENSES</b>						
Network Support Expenses	8,728	8,728	8,728	8,728	5,529	7
General Support Expenses	589,411	748,947	594,147	575,830	409,703	8
Central Office Switching	485,161	512,641	419,064	396,187	393,462	9
Operator Systems Expense		30	2,917	3,328	46	10
Central Office Transmission	1,371,781	980,734	959,399	551,491	229,790	11
Info. Origination/Termination	1,088,630	940,652	851,947	990,927	909,315	12
Cable & Wire Facilities	782,089	744,483	651,368	657,108	714,132	13
<b>Total Plant Specific Operations</b>	<b>4,325,800</b>	<b>3,936,215</b>	<b>3,487,571</b>	<b>3,183,599</b>	<b>2,661,977</b>	<b>14</b>
Other Plant, Property & Equipment						15
Network Operations	926,318	887,529	925,918	656,717	592,922	16
Access Expense						17
Depreciation and Amortization	3,727,957	3,213,967	2,967,931	2,565,443	2,694,218	18
<b>Total Plant Non-Specific Operations</b>	<b>4,654,275</b>	<b>4,101,496</b>	<b>3,893,849</b>	<b>3,222,160</b>	<b>3,287,140</b>	<b>19</b>
Marketing Expense	835,584	684,045	418,131	465,301	343,168	20
Services Expense	3,304,584	3,168,562	3,832,629	3,408,028	3,418,384	21
<b>Total Customer Operations</b>	<b>4,140,168</b>	<b>3,852,608</b>	<b>4,250,760</b>	<b>3,873,329</b>	<b>3,761,552</b>	<b>22</b>
Executive & Planning	1,640,858	1,867,880	1,174,083	1,267,925	979,975	23
General & Administrative	2,518,220	1,885,078	1,875,280	1,754,673	1,408,047	24
Provision - Uncollectible Notes Rec.						25
Other						26
<b>Total Corporate Operations</b>	<b>4,159,078</b>	<b>3,752,958</b>	<b>3,049,363</b>	<b>3,022,598</b>	<b>2,388,022</b>	<b>27</b>
<b>Total Operations Expense</b>	<b>17,279,321</b>	<b>15,643,277</b>	<b>14,681,544</b>	<b>13,301,687</b>	<b>12,098,691</b>	<b>28</b>
Other Operating Income & Expenses	(35,000)					29
State & Local Income Taxes						30
Other Taxes	1,387,512	1,304,055	1,270,210	1,220,293	1,153,282	31
<b>Net Operating Income Before FIT</b>	<b>3,299,695</b>	<b>4,405,748</b>	<b>4,779,456</b>	<b>5,118,429</b>	<b>3,952,636</b>	<b>32</b>
Investment Tax Credits - Net	10,800	25,097	34,457	37,200	40,200	33
Federal Income Taxes	511,072	727,927	1,390,690	1,364,351	1,111,676	34
Provision - Def. Operating Income Taxes - Net	577,367	602,296	76,275	109,644	(225,621)	35
<b>Net Operating Income</b>	<b>\$2,222,056</b>	<b>\$3,100,621</b>	<b>\$3,346,948</b>	<b>\$3,681,634</b>	<b>\$3,106,781</b>	<b>36</b>

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

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
37 <b>Net Operating Income</b>	\$2,222,056	\$3,100,621	\$3,346,948	\$3,681,634	\$3,106,781
<b>NON-OPERATING INCOME &amp; EXPENSES</b>					
38 Dividend Income					
39 Interest Income			287		38
40 Income - Sinking and Other Funds					
41 Allowance for Funds Used During Construction	41,707	237,823	283,315	84,746	143,480
42 Gains/Losses - Disposal of Property	20,123	(27,841)	48,191	108,871	41,255
43 Equity in Earnings of Affiliated Companies	34,043	575,820	1,309,564	1,683,580	1,409,616
44 Other Non-Operating Income	8,920,934	7,578,667	4,991,042	3,255,218	2,337,187
45 Special Charges	59,646	51,716	56,242	50,686	36,263
46 Total Non-Operating Income & Expenses	8,957,160	8,312,753	6,576,157	5,081,730	3,895,313
<b>NON-OPERATING TAXES</b>					
47 Federal Income Taxes	2,857,159	2,549,697	1,694,315	1,125,991	796,354
48 Other					
49 Total Non-Operating Taxes	2,857,159	2,549,697	1,694,315	1,125,991	796,354
50 Income Available Before Interest Charges	8,322,057	8,863,677	8,228,790	7,637,372	6,205,741
<b>INTEREST CHARGES</b>					
51 Interest on Funded Debt	401,190	282,000	282,000	372,500	553,500
52 Other Interest Expense	41,766	284,862	374,434	247,371	70,624
53 Total Interest Charges	442,956	566,862	656,434	619,871	624,124
54 Income Before Extraordinary & Nonreg Items	7,879,100	8,296,816	7,572,356	7,017,501	5,581,617
<b>EXTRAORDINARY &amp; NONREG ITEMS</b>					
55 Extraordinary Items					
56 Nonregulated Revenues					
57 Total Extraordinary & Nonregulated Items					
58 <b>Net Income</b>	<b>\$7,879,100</b>	<b>\$8,296,816</b>	<b>\$7,572,356</b>	<b>\$7,017,501</b>	<b>\$5,581,617</b>
<b>RETAINED EARNINGS STATEMENT</b>					
Unappropriated Retained Earnings:					
59 Beginning Year Balance	\$28,342,749	\$24,245,051	\$21,073,172	\$18,570,875	\$16,859,447
60 Transferred from Income	7,845,059	7,720,997	6,262,793	5,333,920	4,172,000
61 Appropriations					
Dividends Declared:					
62 Preferred Stock	25,000	25,000	25,000	25,000	25,000
63 Common Stock	3,780,536	3,190,637	3,065,913	2,806,623	2,435,572
64 Adjustments	(1,152,346)	(407,663)			
65 Ending Year Balance	31,229,926	28,342,749	24,245,051	21,073,172	18,570,875
66 Appropriated/Undistr Affiliate Retained Earnings	6,674,524	6,640,481	6,064,661	4,755,097	3,071,517
67 <b>Total Retained Earnings</b>	<b>\$37,904,450</b>	<b>\$34,983,230</b>	<b>\$30,309,713</b>	<b>\$25,828,269</b>	<b>\$21,642,392</b>