

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

Consolidated Financial Statements and
Supplemental Financial Information

December 31, 2009 and 2008

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

Consolidated Financial Statements and
Supplemental Financial Information

December 31, 2009 and 2008

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Independent Auditor's Report

Board of Directors
Pioneer Telephone Holding Company, Inc. and Subsidiaries
LaCrosse, Washington

We have audited the accompanying consolidated balance sheets of Pioneer Telephone Holding Company, Inc. and Subsidiaries, as of December 31, 2009 and 2008, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pioneer Telephone Holding Company, Inc. and Subsidiaries at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplemental financial information is presented for the purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

JOHNSON, STONE & PAGANO, P.S.

April 13, 2010

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents		
Short-term investments		
Accounts receivable		
Prepaid expenses		
Recoverable federal and state income taxes		
Materials and supplies - at average cost		
Total Current Assets		
INVESTMENTS AND OTHER ASSETS		
Investments in partnerships		
Rural Telephone Finance Co-operative capital certificates		
Unamortized debt issuance expense - net		
Deposits and other assets		
Investment in land and building - less accumulated depreciation (2009 - \$; 2008 - \$)		
Total Investments and Other Assets		
PROPERTY, PLANT AND EQUIPMENT		
Land		
Depreciable plant and equipment		
Allowances for depreciation (deduction)		
Total Property, Plant and Equipment		
 Total Assets		

See accompanying notes to consolidated financial statements.

2009

2008

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable
Taxes, other than income taxes
Other current liabilities
Federal and state income taxes payable
Installments on long-term debt due within one year

Total Current Liabilities

LONG-TERM DEBT, less portion classified as a current liability

OTHER LIABILITIES AND DEFERRED CREDITS

Unamortized federal investment tax credits
Deferred federal and state income taxes

Total Other Liabilities and Deferred Credits

Total Liabilities

STOCKHOLDERS' EQUITY

Common stock, no par value;
Authorized - shares
Issued and outstanding - shares
Retained earnings
Accumulated other comprehensive loss,
net of deferred federal income taxes

Total Stockholders' Equity

Total Liabilities and Stockholders' Equity

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
REVENUES		
Telecommunications service revenues		
Other operating revenues		
Total Revenues		
EXPENSES		
Operating expenses		
General and administrative		
Depreciation and amortization		
Other operating expenses		
Taxes, other than income taxes		
Total Expenses		
Operating Income		
OTHER INCOME (EXPENSE)		
Equity in earnings of partnerships		
Interest and dividend income		
Interest expense		
Miscellaneous expense		
Total Other Income (Expense)		
Income before Income Taxes		
INCOME TAXES		
Currently payable		
Deferred		
Total Income Taxes		
Net Income		

See accompanying notes to consolidated financial statements.

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2009 and 2008

	<u>Common Stock</u>		<u>Retained</u>	<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Earnings</u>	<u>Other</u>	<u>Total</u>
				<u>Comprehensive</u>	
				<u>Income (Loss)</u>	
BALANCE AT DECEMBER 31, 2007					
Dividends paid					
Net income for the year					
Other comprehensive income:					
Unrealized losses on short-term					
investments, net of deferred					
federal income tax benefits					
of \$					
Comprehensive Income					
BALANCE AT DECEMBER 31, 2008					
Dividends declared					
Net income for the year					
Other comprehensive income:					
Unrealized gains on short-term					
investments, net of deferred					
federal income tax benefits					
of \$					
Comprehensive Income					
BALANCE AT DECEMBER 31, 2009					

See accompanying notes to consolidated financial statements.

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in earnings of partnerships		
Depreciation of plant and equipment		
Depreciation and amortization of other assets		
Deferred federal and state income taxes		
Net change in operating assets and liabilities		
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments		
Additions to property, plant and equipment		
Salvage on property, plant and equipment		
Partnership distributions		
Net Cash Provided (Used) by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt		
Dividends paid		
Net Cash Used by Financing Activities		
Net Increase in Cash and Cash Equivalents		
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and Cash Equivalents at End of Year		

See accompanying notes to consolidated financial statements.

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets:		
Accounts receivable		
Prepaid expenses		
Recoverable federal and state income taxes		
Materials and supplies		
Increase (decrease) in liabilities:		
Accounts payable		
Taxes, other than income taxes		
Other current liabilities		
Federal and state income taxes payable		
Net Change in Operating Assets and Liabilities		

**SUPPLEMENTAL DISCLOSURES OF CASH
FLOW INFORMATION**

Cash paid during the year for:

- Interest
- Income taxes

**SUPPLEMENTAL DISCLOSURES OF NONCASH
INVESTING AND FINANCING ACTIVITIES**

Dividends declared

See accompanying notes to consolidated financial statements.

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

The accounting and reporting policies of the Pioneer Telephone Holding Company, Inc. ("Company") and Subsidiaries conform with accounting principles generally accepted in the United States of America and practices within the telecommunications industry. The policies that materially affect financial position, results of operations and cash flows are summarized as follows:

Organization

Several years ago, the stockholders reorganized their interest in Pioneer Telephone Company ("Pioneer") by exchanging their stock in Pioneer for stock in Pioneer Telephone Holding Company, Inc., making Pioneer a wholly-owned subsidiary of the Company. The method used in accounting for the business combination was the pooling of interests method.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Pioneer Telephone Company, Pioneer Communications Company and Pioneer Telephone Long Distance Company. All material intercompany accounts and transactions have been eliminated in consolidation.

Operations

The Company and its subsidiaries are engaged in providing local exchange, long distance, other telecommunications and internet access services to customers in Adams and Whitman Counties in eastern Washington.

Regulatory changes in the telecommunications industry have modified, or could modify, the manner in which the Company's approved telecommunication tariffed rates are calculated, as well as modify the manner in which the Company recovers its revenue requirements. Implementation of those modifications and the outcome of the regulatory proceedings may adversely affect certain current or future revenue streams of the Company.

Regulation

Pioneer and Pioneer Telephone Long Distance Company are subject to the accounting and rate regulation policies of the Washington Utilities and Transportation Commission ("WUTC") and adhere to the Federal Communications Commission ("FCC") Uniform System of Accounts for Class B telephone companies as prescribed by the FCC under Part 32.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers cash to be cash on hand, in checking accounts, construction fund accounts, money market accounts and time certificates of deposit with maturities of less than one year. Included on the balance sheets under the caption of cash and cash equivalents is the construction fund cash of \$ and \$ for 2009 and 2008, respectively.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Short-term Investments

Short-term investments consist of investments in tax-exempt mutual funds. The Company classifies the investments as "available for sale" and the investments are stated at fair market value as determined by the broker-dealer holding the investments. Realized gains and losses are calculated using the average cost method and are included in income; unrealized gains and losses are reported in other comprehensive income (loss).

Accounts Receivable

Pioneer extends credit to its business and residential customers based upon a written credit policy. Service interruption is the primary vehicle for controlling losses. Telecommunications accounts receivable are recorded when subscriber bills, carrier access bills, and exchange carrier associations settlement statements are rendered. Certain exchange carrier associations' settlements are subject to out-of-period adjustments and are recorded during the year in which they become determinable. Accounts receivable are written off when they are determined to be uncollectible.

Investments in Partnerships

The Company uses the equity method to account for investments in partnerships where the Company's ownership is 20% or more. Under the equity method, the Company's share of earnings or losses of the partnerships are reflected in income.

Fair Value Measurements

On January 1, 2009, the Company adopted applicable authoritative guidance related to fair value measurements that defines fair value, provides a framework to measure the fair value of assets and liabilities and requires certain disclosures about those measurements. The guidance establishes a hierarchy to prioritize the inputs that underlie a fair value measurement and requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs essentially distinguish the relative reliability of inputs to fair value measurements. Level 1 inputs are more reliable and objective than Level 2 inputs which are in turn more reliable and objective than Level 3 inputs. In arriving at a fair value measure, the Company is required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

Unamortized Debt Issuance Expense

Costs incurred to obtain financing for property, plant and equipment additions are capitalized and amortized over the respective loan period.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated on a straight-line basis for accounting purposes. Lives used for calculating depreciation on telecommunications plant are in accordance with the rules of the WUTC and are based on the estimated economic useful lives of the assets. Likewise, lives used for calculating depreciation on all other property and equipment are based on the estimated economic useful lives of the assets.

Telecommunications Plant Retirements

When an asset is retired or otherwise disposed of, the cost of the asset is removed from the asset account and charged to the related allowance for depreciation. Similarly, the cost of removal and salvage proceeds are charged or credited to the allowance for depreciation. Consequently, no gain or loss upon disposition is recognized.

Allowance for Funds Used During Construction

Interest applicable to funds used for long-term construction projects is capitalized as a part of the cost of the asset and depreciated over the asset's estimated useful life. Interest capitalized totaled \$ and \$ in 2009 and 2008, respectively.

Revenue Recognition, Major Customers and Services

Services provided by Pioneer include primarily local network and network access services included in telephone service revenues. Network access service revenues, which represent a major portion of Pioneer's operating revenues, are derived from the provision of exchange access services to interexchange carriers or to an end user of telecommunication services beyond Pioneer's local network.

Revenues for interstate access services are received through tariffed access charges filed by the National Exchange Carrier Association ("NECA") with the FCC on behalf of the NECA member companies. These access charges are billed by Pioneer to interstate interexchange carriers and pooled with like-revenues from all NECA member companies. The pooled access charge revenues received by Pioneer are based upon the actual cost of providing interstate access services, plus a return on the investment dedicated to providing these services. Pooled access charge revenues are estimated at December 31 each year and are subject to adjustment. Such adjustments are normal occurrences and are recorded by Pioneer during the year in which they occur.

Revenues for intrastate access services are received through tariffed access charges filed by Pioneer and the Washington Exchange Carrier Association ("WECA") and approved by the WUTC. The access charges are billed by Pioneer to intrastate interexchange carriers. The carrier common line and state universal service fund revenues are pooled with all WECA member companies. The traffic sensitive revenues are considered bill and keep based on tariffed rates.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Revenue Recognition, Major Customers and Services (Continued)

For some of the services that the Company provides to its customers, the Company relies upon services and facilities supplied to it by other companies. Any material disruption of the services or facilities supplied to the Company by other companies could potentially have an adverse effect upon the Company's operating results.

Pioneer Telephone Long Distance Company provides long distance message services to Pioneer's local subscribers.

Income Taxes

Comprehensive Income

Authoritative literature requires that total comprehensive income (loss) be reported in the financial statements. Total comprehensive loss is presented on the statements of stockholders' equity.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions used in preparing the accompanying financial statements.

Subsequent Events

The management of the Company evaluated for subsequent events and transactions for potential recognition and disclosure through April 13, 2010 the date the financial statements were available to be issued. All such material transactions or disclosures identified have been included in these financial statements.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at two financial institutions in eastern Washington. Accounts at each of the institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at December 31, 2009 and 2008. The Company's non-interest bearing accounts have unlimited FDIC deposit insurance through June 30, 2010. The Company periodically maintains cash balances in excess of the federally insured limits.

In addition, at December 31, 2009, the Company has deposits totaling \$_____ in money market funds of a broker-dealer. The funds are insured by the Securities Investor Protection Corporation up to \$500,000 for brokerage accounts with a limit of \$100,000 for claims of uninvested cash balances and additional brokerage insurance through the broker-dealer's underwriters as stated in the broker-dealer account agreement.

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**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 3 - INVESTMENTS IN PARTNERSHIPS

Investments in partnerships consist of the following:

	<u>2009</u>	<u>2008</u>
<u>Investment in Partnerships</u>		
Pioneer Telephone Holding Company, Inc.:		
% limited partnership interest in Washington RSA No. 8 Limited Partnership		
Pioneer Telephone Company:		
% limited partnership interest in Eastern Sub-RSA Limited Partnership		

Pioneer's investment in Eastern Sub-RSA Limited Partnership and the Company's investment in Washington RSA No. 8 Limited Partnership are presented on the equity method and include goodwill of \$, which is net of accumulated amortization of \$. Authoritative literature prohibits the amortization of goodwill and requires that goodwill be tested for impairment of value annually. At December 31, 2009 and 2008, management believes that impairment of goodwill does not exist

Summary audited information regarding the partnerships as of and for the years ended December 31, 2009 and 2008 follows.

	<u>2009</u>	<u>2008</u>
<u>Washington RSA No. 8 Limited Partnership</u>		
BALANCE SHEETS		
Assets:		
Current assets		
Other assets		
Investment in cellular plant - net		

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 3 - INVESTMENTS IN PARTNERSHIPS (Continued)

	<u>2009</u>	<u>2008</u>
Liabilities and Partners' Capital:		
Current liabilities		
Long-term debt, less portion classified as a current liability		
Partners' capital		
STATEMENTS OF OPERATIONS		
Revenues		
Operating expenses		
Other income		
Net Income		
<u>Eastern Sub-RSA Limited Partnership</u>		
BALANCE SHEETS		
Assets:		
Current assets		
Other assets		
Investment in cellular plant - net		
Liabilities and Partners' Capital:		
Current liabilities		
Due to general partner		
Partners' capital		
STATEMENTS OF OPERATIONS		
Revenues		
Operating expenses		
Other income		
Net Loss		

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 4 - FAIR VALUE DISCLOSURES

As described in Note 1, the Company and Subsidiaries have adopted applicable authoritative guidance related to fair value measurements. Following is the hierarchy and fair value measurements at December 31, 2009 and 2008:

	Fair Value Measurements		
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Subjective Inputs (Level 3)
<u>December 31, 2009</u>			
Mutual funds and equities			
Investments in partnerships			
Co-operative capital certificates			
<u>December 31, 2008</u>			
Mutual funds and equities			
Investments in partnerships			
Co-operative capital certificates			

Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Investments valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Level 3 inputs are based on the Company's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

Reconciliation of Level 3 Inputs

Balance at December 31, 2007
Partnership loss
Partnership income
Partnership distribution
Balance at December 31, 2008
Partnership loss
Partnership income
Partnership distribution
Balance at December 31, 2009

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 4 - FAIR VALUE DISCLOSURES (Continued)

There were no unrealized gains or losses included in the valuation of investments measured in accordance with level 3 inputs.

NOTE 5 - DEPRECIABLE PLANT AND EQUIPMENT

The following is a summary of asset classifications and estimated useful lives for depreciable plant and equipment:

	<u>Useful Lives (Years)</u>	<u>2009</u>	<u>2008</u>
Pioneer Telephone Company:			
Support assets	4 to 25		
Central office assets	7 to 9		
Cable and wire facilities	17 to 20		
Nonregulated equipment	5 to 9		
 Pioneer Communications Company:			
Internet access equipment	5		
 Total			

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following:

	<u>Current Annual Installments of Principal</u>	<u>Principal Amount</u>	
		<u>2009</u>	<u>2008</u>
Rural Development Utilities Program ("RDUP") - first and supplemental mortgage notes:			
% - due November 2018			
% - due March 2024			
% - due March 2024			
% - due March 2024			
% - due March 2024			

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Current Annual Installments of Principal</u>	<u>Principal Amount</u>	
		<u>2009</u>	<u>2008</u>
Rural Telephone Bank ("RTB") - supplemental mortgage notes: % - due March 2024 % - due March 2024			
Less principal installments on long-term debt due within one year			

At December 31, 2009, maturities on long-term debt for the next five years and thereafter are as follows:

2010
2011
2012
2013
2014
Thereafter

Substantially all of Pioneer's plant now owned and hereafter acquired is subject to first and supplemental mortgage agreements executed to the RDUP and the RTB. The terms of the mortgage agreements restrict distributions to stockholders, redemption of capital stock and investments in affiliated companies. Allowable distributions are based on minimum net worth requirements defined in the agreements. Pioneer must also maintain certain interest coverage under the mortgage agreements.

Pioneer has available \$_____ for future borrowing from the RDUP for approved telecommunication plant expenditures.

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 6 - LONG-TERM DEBT (Continued)

NOTE 7 - INCOME TAXES

The Company recognizes deferred federal and state income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent future income tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The differences relate to the following:

- Depreciable assets' lives and methods of calculating depreciation for financial and income tax reporting.
- Recording of partnership investments using the equity method for financial reporting purposes and the equity method, adjusted for gains and losses, for income tax purposes.
- Accounting for short-term investments at fair market values for financial reporting purposes and cost for income tax purposes.

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 8 - LEASES

NOTE 9 - RETIREMENT PLAN

NOTE 10 - COMMITMENTS AND CONTINGENCIES

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE 10 - COMMITMENTS AND CONTINGENCIES (Continued)

REDACTED

SUPPLEMENTAL FINANCIAL INFORMATION

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

DETAILS OF CONSOLIDATED BALANCE SHEETS

December 31, 2009 and 2008

	Consolidated		Eliminations		Pioneer Telephone Holding Company, Inc.		Pioneer Telephone Company		Pioneer Communications Company		Pioneer Telephone Long Distance Company	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
ASSETS												
CURRENT ASSETS												
Cash and cash equivalents												
Short-term investments												
Accounts receivable												
Prepaid expenses												
Recoverable federal and state income taxes												
Materials and supplies												
Total Current Assets												
INVESTMENTS AND OTHER ASSETS												
Investments in subsidiaries												
Investments in partnerships												
Rural Telephone Finance Co-operative capital certificates												
Unamortized debt issuance expense - net												
Deposits and other assets												
Due from affiliated company												
Investment in land and building - net												
Total Investments and Other Assets												
PROPERTY, PLANT AND EQUIPMENT												
Land												
Depreciable plant and equipment												
Allowances for depreciation (deduction)												
Total Property, Plant and Equipment												
Total Assets												

REDACTED

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

DETAILS OF CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2009 and 2008

	Consolidated		Eliminations		Pioneer Telephone Holding Company, Inc.		Pioneer Telephone Company		Pioneer Communications Company		Pioneer Telephone Long Distance Company	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable
Taxes, other than income taxes
Other current liabilities
Federal and state income taxes payable
Installments on long-term debt due within one year
Total Current Liabilities

DUE TO AFFILIATED COMPANY

LONG-TERM DEBT, less portion classified as current

OTHER LIABILITIES AND DEFERRED CREDITS

Unamortized federal investment tax credits
Deferred federal and state income taxes

Total Other Liabilities and Deferred Credits

Total Liabilities

STOCKHOLDERS' EQUITY

Common stock
Retained earnings
Accumulated other comprehensive loss,
net of deferred federal income taxes

Total Stockholders' Equity

Total Liabilities and Stockholders' Equity

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

DETAILS OF CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2009 and 2008

	Consolidated		Eliminations		Pioneer Telephone Holding Company, Inc.		Pioneer Telephone Company		Pioneer Communications Company		Pioneer Telephone Long Distance Company	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008

REVENUES

Telecommunications services revenues
Other operating revenues

Total Revenues

EXPENSES

Operating expenses
General and administrative
Depreciation and amortization
Other operating expenses
Taxes, other than income taxes

Total Expenses

Operating Income (Loss)

OTHER INCOME (EXPENSE)

Equity in losses of subsidiaries
Equity in earnings (losses) of partnerships
Interest and dividend income
Interest expense
Miscellaneous income (expense)

Total Other Income (Expense)

Income (Loss) Before Income Taxes

INCOME TAXES (BENEFITS)

Currently payable (refundable)
Deferred

Total Income Taxes (Benefits)

Net Income (Loss)

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

DETAILS OF CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2009 and 2008

	Consolidated		Eliminations		Pioneer Telephone Holding Company, Inc.		Pioneer Telephone Company		Pioneer Communications Company		Pioneer Telephone Long Distance Company	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008

CASH FLOWS FROM OPERATING ACTIVITIES

Net income (loss)
 Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:
 Equity in (earnings) losses of partnerships
 Equity in losses of subsidiaries
 Depreciation of plant and equipment
 Depreciation and amortization of other assets
 Deferred income taxes
 Federal income taxes payable reclassified to advances from (to) affiliated company
 Net change in operating assets and liabilities

Net Cash Provided (Used) by Operating Activities

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of short-term investments
 Additions to property, plant and equipment
 Salvages on property, plant and equipment
 Advances from affiliated company
 Partnership distributions
 Advances to affiliated company

Net Cash Provided (Used) by Investing Activities

**PIONEER TELEPHONE HOLDING
COMPANY, INC. AND SUBSIDIARIES**

DETAILS OF CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2009 and 2008

	Consolidated	Eliminations	Pioneer Telephone Holding Company, Inc.	Pioneer Telephone Company	Pioneer Communications Company	Pioneer Telephone Long Distance Company
	2009	2009	2008	2009	2008	2009
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments on long-term debt						
Dividends paid						
Net Cash Used by Financing Activities						
Net Increase (Decrease) in Cash and Cash Equivalents						
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR						
Cash and Cash Equivalents at End of Year						
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES						
(Increase) decrease in assets:						
Accounts receivable						
Prepaid expenses						
Recoverable federal and state income taxes						
Materials and supplies						
Increase (decrease) in liabilities:						
Accounts payable						
Taxes, other than income taxes						
Other current liabilities						
Federal and state income taxes payable						
Net Change in Operating Assets and Liabilities						

REDACTED