

**THE TOLEDO TELEPHONE CO., INC.  
AND SUBSIDIARIES**

Consolidated Financial Statements with Supplemental Information

Years Ended December 31, 2009 and 2008

**REDACTED**

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**  
**Consolidated Financial Statements with Supplemental Information**  
**Years Ended December 31, 2009 and 2008**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Toledo Telephone Co., Inc. and Subsidiaries  
Toledo, Washington

We have audited the accompanying consolidated balance sheets of The Toledo Telephone Co., Inc. (the Company) and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated 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, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 The Toledo Telephone Co., Inc. and Subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 23, 2010 on our consideration of The Toledo Telephone Co., Inc.'s internal control over financial reporting and our tests of its compliance with laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

**AKT LLP**

Salem, Oregon  
April 23, 2010

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

December 31, 2009 and 2008

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<b>ASSETS</b>	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and cash equivalents		
Accounts receivable, less allowance for doubtful accounts of \$       (       in 2008)		
Marketable securities		
Materials and supplies		
Prepaid expenses		
Income tax receivable		
Deferred income taxes		
 Total Current Assets		
 Other Assets and Investments:		
Notes receivable, affiliate		
Nonregulated equipment, net		
Other investments		
 Total Other Assets and Investments		
 Property, Plant, and Equipment:		
In service		
Under construction		
 Less accumulated depreciation		
 Property, Plant, and Equipment, net		

**REDACTED**

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**LIABILITIES AND STOCKHOLDERS' EQUITY**

2009

2008

Current Liabilities:

Current portion of long-term debt

Accounts payable

Accrued expenses

Deferred income taxes

Total Current Liabilities

Deferred Income Taxes

Long-Term Debt

Stockholders' Equity:

Common stock,

Retained earnings

Accumulated other comprehensive income (loss)

Total Stockholders' Equity

**REDACTED**

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**

**Consolidated Statements of Operations**

**Years Ended December 31, 2009 and 2008**

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	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Local network		
Network access		
Long-distance		
Miscellaneous		
Total Operating Revenues		
Operating Expenses:		
Plant specific		
Plant nonspecific		
Customer		
Corporate		
Depreciation		
Total Operating Expenses		
Operating Taxes:		
Income tax expense		
Other operating taxes		
Total Operating Expenses and Taxes		
Operating Income		
Other Income (Expense):		
Interest and dividends		
Allowance for funds used during construction		
Nonregulated operations, net		
Nonregulated operations - fiber, net		
Other income (expense)		
Nonoperating income tax benefit		
Total Other Expense		
Income Before Interest Expense		
Interest Expense		
Net Income (Loss)		

**REDACTED**

See accompanying notes to consolidated financial statements.

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**Years Ended December 31, 2009 and 2008**

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	<u>2009</u>	<u>2008</u>
Net Income (Loss)		
Other Comprehensive Income (Loss):		
Unrealized gains (losses) on marketable securities:		
Unrealized holding gains (losses) arising during the period		
Reclassification for realized gains included in net income		
Decrease (Increase) in deferred taxes		
Total Other Comprehensive Income (Loss)		
Total Comprehensive Income (Loss)		

**REDACTED**

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Stockholders' Equity**

**Years Ended December 31, 2009 and 2008**

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	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Balance, December 31, 2007				
2008 net income				
Net change in unrealized holding gains, net of deferred taxes				
Balance, December 31, 2008				
2009 net loss				
Net change in unrealized holding gains, net of deferred taxes				
Balance, December 31, 2009				

**REDACTED**

See accompanying notes to consolidated financial statements.



**THE TOLEDO TELEPHONE, CO., INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

Years Ended December 31, 2009 and 2008

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	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Net income (loss)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation		
Nonregulated depreciation		
Change in deferred taxes		
Gain on sale of marketable securities		
Non-cash patronage income received		
Changes in assets and liabilities:		
Accounts receivable		
Materials and supplies		
Prepaid expenses		
Income tax receivable		
Accounts payable		
Accrued expenses		
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Capital expenditures		
Issuance of notes receivable, affiliate		
Change in other investments		
Proceeds from other investments		
Purchase of marketable securities		
Proceeds from sale of marketable securities		
Purchase of nonregulated equipment		
Net Cash Used by Investing Activities		

**REDACTED**

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows, continued**

**Years Ended December 31, 2009 and 2008**

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	<u>2009</u>	<u>2008</u>
Cash Flows from Financing Activities:		
Proceeds from long-term debt		
Payments on long-term debt		
Net Cash Used by Financing Activities		
Net Decrease in Cash and Cash Equivalents		
Cash and Cash Equivalents, beginning		
Cash and Cash Equivalents, ending		
Cash Paid During the Year for:		
Interest		
Income taxes		

**REDACTED**

See accompanying notes to consolidated financial statements.

# THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Years Ended December 31, 2009 and 2008

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### Note 1 - Organization and Summary of Significant Accounting Policies

#### Organization

The Toledo Telephone Co., Inc. (the Company) provides telecommunication services to customers within and around the city of Toledo, Washington.

#### Regulation

The Company is subject to the accounting and rate regulation policies of the Washington Utilities and Transportation Commission (WUTC), and maintains its accounting records in accordance with the Uniform System of Accounts, as prescribed by the Federal Communications Commission (FCC) as modified for Telephone Borrowers of the Rural Utilities Service (RUS). As a result, the application of accounting principles generally accepted in the United States by the Company differs in certain respects from the application by nonregulated entities. Such differences primarily concern the time at which certain items enter in the determination of net income.

The Company is subject to limited regulation by the FCC regarding the provision of telecommunications services.

#### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Toledo Telenet Long Distance Company and Toledo Cellular, Inc. All intercompany transactions and balances have been eliminated in the consolidation.

#### Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. These estimates involve judgments with respect to numerous factors that are beyond management's control. Actual results could differ from those estimates.

#### Fair Value of Financial Instruments

The Company's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, receivables, accounts payable, and notes payable. The Company estimates that the fair value of all of these non-derivative financial instruments at December 31, 2009 and 2008 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheets.

#### Cash and Cash Equivalents

The Company considers cash investments purchased with an original maturity of 3 months or less, as well as money market accounts, to be cash equivalents. The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits, which is generally \$250,000 per account holder per bank. The Company has no uninsured cash as of December 31, 2009 and 2008. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Cash and cash equivalents as of December 31 consist of the following:

	<u>2009</u>	<u>2008</u>
Cash, checking and in sweep accounts	\$	
Cash, money market funds		
Certificates of deposit at interest rates of		
	\$	

**REDACTED**

## THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Years Ended December 31, 2009 and 2008

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#### Note 1 - Organization and Summary of Significant Accounting Policies, continued

##### Marketable Securities

Marketable securities are stated at fair value based on a framework that provides a fair value hierarchy prioritizing the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Company's marketable securities are measured and reported at fair value on a recurring basis based on quoted prices available in active markets for identical investments as of the reporting date (Classification Level 1).

##### Accounts Receivable

The Company provides an allowance for doubtful accounts that is based on a review of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 30 days after the issuance of the invoice. Receivables from other exchange carriers are typically outstanding from 30 to 60 days before payment is received. Delinquent accounts are charged to uncollectible expense when it is determined that the account will not be collected. Receivables past due more than 90 days are considered delinquent. Delinquent receivables are assessed monthly and accounts are written off and turned over to a collection agency at management's discretion.

##### Materials and Supplies

Materials and supplies are stated at the lower of cost or market. Cost is determined principally by the average cost method.

##### Property, Plant, and Equipment

Telecommunications plant in service and under construction is stated at cost, including appropriate direct and indirect costs associated with construction. Depreciation is calculated on a straight-line basis over the estimated life of the classes of buildings and equipment in accordance with rates consistent with industry standards. Depreciation rates range from 4% to 25%. In accordance with composite group depreciation methodology and with the Uniform System of Accounts, as prescribed by the FCC, when a portion of the Company's regulated property, plant, and equipment is retired in the ordinary course of business, the gross book value is eliminated from telecommunications plant accounts and such costs plus removal expenses, less salvage, are charged to accumulated depreciation, and no gain or loss is recognized.

Upon retirement, sale, or other disposition of non-regulated property, plant, and equipment, the cost and related accumulated depreciation are removed from the accounts and the resulting gains or losses are included in operations. Depreciation rates for non-regulated assets range from 4.76% to 25%.

The Company follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. In 2009, total interest incurred was \$\_\_\_\_\_ of which \$\_\_\_\_\_ was capitalized to property, plant, and equipment (\$\_\_\_\_\_ and \$\_\_\_\_\_ in 2008).

##### Comprehensive Income

The purpose of reporting comprehensive income is to report all changes in equity of an enterprise that result from recognized transactions and other economic events of the period other than transactions with owners in their capacity as owner.

##### Revenue Recognition

Monthly service fees derived from basic and local service are billed in advance and are recognized as service is rendered.

**REDACTED**

## THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Years Ended December 31, 2009 and 2008

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#### Note 1 - Organization and Summary of Significant Accounting Policies, continued

##### Network Access Revenues

Network access revenue related to intralata and interlata toll service is received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Company, charge the long distance carrier for access and interconnection to local facilities. The Company has elected to file access tariffs through the Washington Exchange Carriers Association (WECA) and the National Exchange Carriers Association (NECA) for these charges. These access tariffs are subject to approval by the WUTC for intrastate charges and the FCC for interstate charges.

When network access revenues have been received pursuant to the settlement and access agreements above, they are divided into traffic sensitive, nontraffic sensitive, and billing and collecting portions. The revenues are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by the Company. The redistributions are made according to formulas established by the governing boards of the pools and are generally based upon expenses incurred and investment maintained. The Company participates in pooling arrangements with NECA and WECA.

Settlement, access, and pool distribution revenues are recorded when the amounts become determinable. Related expenses are recorded when incurred. True-ups and retroactive adjustments can result if actual expenses or cost classifications differ from that which was originally submitted in cost analyses prepared by outside consultants, and periodically submitted to NECA.

Any subsequent true-ups and retroactive adjustments, which are generally allowed for a period of 24 months after the close of the related calendar years (NECA only), are recorded in the year in which such adjustments become determinable, based upon studies by an outside consultant.

In addition to recoveries from NECA and WECA, the Company also receives revenues from the Universal Service High Cost Loop Fund administered by the Universal Service Administrative Company (USAC). The amount of support received from USAC is based on the number of customers served and the cost of providing service in that area being in excess of the national average, as determined by the FCC, and is included in network access revenues in the accompanying consolidated financial statements. In 2009, the Company received \$ \_\_\_\_\_ from the USAC High Cost Loop Fund (\$ \_\_\_\_\_ in 2008).

The ability of NECA, WECA, and USAC to provide these revenues to the Company and similar organizations is dependent upon regulatory and legislative rules which provide for the continuance of rate of return regulation and universal service support funding. Any regulatory or legislative changes that reduce the rate of return or the universal service support mechanism may have a material impact on the Company.

##### Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period, plus or minus the change in deferred tax assets and liabilities during the period.

The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable.

## THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Years Ended December 31, 2009 and 2008

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#### **Note 1 - Organization and Summary of Significant Accounting Policies, continued**

##### Reclassifications

Certain prior years' amounts have been reclassified for comparative purposes to conform to the presentation in the 2009 consolidated financial statements. Total stockholders' equity and net income are unchanged due to these reclassifications.

##### Subsequent Events

The Company has evaluated subsequent events through April 23, 2010, which is the date the consolidated financial statements were available to be issued.

#### **Note 2 - Marketable Securities**

All marketable securities of the Company have been categorized as available for sale. These investments are stated at fair value in the consolidated financial statements with unrealized gains and losses reported as other comprehensive income as a separate component of stockholders' equity. The Company's marketable securities are measured and reported at fair value on a recurring basis based on quoted prices available in active markets for identical investments as of the reporting date (Classification Level 1).

Marketable securities at December 31 consisted of the following:

#### **Note 3 - Other Investments**

Other investments are recorded at cost and consist of the following:

**REDACTED**

# THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Years Ended December 31, 2009 and 2008

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### Note 4 - Property, Plant, and Equipment

Major classes of the Company's property, plant, and equipment in service are as follows:

	<u>2009</u>	<u>2008</u>
Land		
Buildings		
Central office equipment		
Cable and wire facilities		
Furniture and office equipment		
Vehicles and work equipment		

### Note 5 - Long-Term Debt

Long-term debt consists of the following:

2% mortgage notes payable to the Rural Utilities Service (RUS), in quarterly installments of \$339, principal and interest, collateralized by substantially all real and personal property, due in 2013

5.84% to 7.00% mortgage notes payable to RUS, in monthly installments of \$20,384, principal and interest, collateralized by substantially all real and personal property, due in 2014

5.65% to 6.67% mortgage notes payable to RUS, in monthly installments of \$20,760, including principal and interest, collateralized by substantially all real and personal property, due in 2016

4.42% to 4.79% mortgage notes payable to RUS, in monthly installments of \$17,535, principal and interest, collateralized by substantially all real and personal property, due in 2020

7.50% mortgage note payable to the Rural Telephone Bank (RTB), in quarterly installments of \$6,108, principal and interest, collateralized by substantially all real and personal property, due in 2011

5.54% to 6.54% mortgage notes payable to RTB, in monthly installments of \$19,026, principal and interest, collateralized by substantially all real and personal property, due in 2014

5.17% mortgage note payable to RTB, in monthly installments of \$4,322, principal and interest, collateralized by substantially all real and personal property, due in 2016

0% car loan payable to Ford Motor Credit in monthly installments of \$578, principal only, collateralized by automobile, due March 2012

Less current portion

# THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

Years Ended December 31, 2009 and 2008

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### Note 5 - Long-Term Debt, continued

Future maturities of long-term debt are as follows:

2010  
2011  
2012  
2013  
2014  
Thereafter

Substantially all assets of the Company are pledged as security for the long-term debt under the first mortgages executed to RUS, RTB, and the Federal Financing Bank (FFB). The terms of the mortgage agreements contain restrictions requiring the maintenance of defined amounts of stockholders' equity, limitations on additional debt, annual cash flow, and working capital after payment of dividends. At December 31, 2009 and 2008, management believes the Company to be in compliance with all covenants.

At December 31, 2009 and 2008, the Company has approximately \$ \_\_\_\_\_ of unadvanced, authorized loan funds with RUS, RTB, and FFB available for upgrading facilities and new construction.

Subsequent to year end, the Company drew an additional \$ \_\_\_\_\_ in funding from FFB, with an interest rate of 3.05%, with quarterly installments of \$ \_\_\_\_\_ principal and interest, due in 2020. X

### Note 6 - Income Taxes and Deferred Income Taxes

The company adopted the new accounting for uncertainty in income tax guidance on January 1, 2009. There was no impact on the Company's consolidated financial statements as a result of adopting the new guidance.

Income tax benefit (expense) for the years ended December 31 are as follows:

	<u>2009</u>	<u>2008</u>
Operating:		
Current federal tax		
Prior year overaccrual (under)		
Increase in deferred taxes		
Total operating income taxes		
Nonoperating:		
Current federal tax		
Prior year overaccrual		
Benefit of net operating loss carryback		
Total nonoperating income taxes		

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before income taxes due to the effects of nondeductible items, prior year over or under accruals, and the use of accelerated depreciation for income tax purposes.

**REDACTED**



**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

Years Ended December 31, 2009 and 2008

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**Note 6 - Income Taxes and Deferred Income Taxes, continued**

Deferred income tax assets and liabilities are as follows:

Current deferred tax asset (liability):

Unrealized losses (gains) on marketable securities

Reserve for uncollectible accounts receivable

Net current deferred income tax asset (liability)

Long-term deferred income tax liability - accelerated depreciation

The Company files income tax returns in the United States. The Company's Federal income tax returns for the years prior to 2003 are closed. State and local jurisdictions have statutes of limitation that generally range from three to five years.

**Note 7 - Retirement Plans**

**Note 8 - Related Party Transactions**

**Note 9 - Line of Credit**

**REDACTED**

**SUPPLEMENTAL INFORMATION**



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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors  
The Toledo Telephone Co., Inc. and Subsidiaries  
Toledo, Washington

Our report on our audits of the consolidated financial statements of The Toledo Telephone Co., Inc. and Subsidiaries for the years ended December 31, 2009 and 2008 appears on page 1. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The 2009 consolidating information in the accompanying schedules is presented for purposes of additional analysis of the consolidated financial statements rather than to present financial position, results of operations, and cash flows of the individual companies, 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 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

**AKT LLP**

Salem, Oregon  
April 23, 2010

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**

**Consolidating Balance Sheets**

December 31, 2009

<b>ASSETS</b>	<u>The Toledo Telephone Company, Inc.</u>	<u>Toledo Cellular, Inc.</u>	<u>Toledo Telenet Long Distance Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Current Assets:</b>					
Cash and cash equivalents					
Accounts receivable, less allowance for doubtful accounts					
Marketable securities					
Materials and supplies					
Prepaid expenses					
Income tax receivable					
Total Current Assets					
<b>Other Assets and Investments:</b>					
Notes receivable, affiliate					
Nonregulated equipment					
Other investments					
Investment in subsidiaries					
Total Other Assets and Investments					
<b>Property, Plant, and Equipment:</b>					
In service					
Under construction					
Less accumulated depreciation					
Property, Plant, and Equipment, net					

**REDACTED**

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>The Toledo Telephone Company, Inc.</u>	<u>Toledo Cellular, Inc.</u>	<u>Toledo Telenet Long Distance Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current Liabilities:					
Current portion of long-term debt					
Accounts payable					
Accrued expenses					
Deferred income taxes					
Total Current Liabilities					
Deferred Income Taxes					
Accounts Payable, affiliate					
Long-Term Debt					
Stockholders' Equity:					
Common stock					
Paid-in capital					
Retained earnings					
Accumulated other comprehensive income					
Total Stockholders' Equity					

**REDACTED**

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**  
**Consolidating Statements of Operations and Changes in Retained Earnings**  
**Year Ended December 31, 2009**

Schedule II

	<u>The Toledo Telephone Company, Inc.</u>	<u>Toledo Cellular, Inc.</u>	<u>Toledo Telenet Long Distance Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating Revenues:					
Local network	\$				
Network access					
Long-distance					
Miscellaneous					
Total Operating Revenues					
Operating Expenses:					
Plant specific					
Plant nonspecific					
Customer					
Corporate					
Depreciation					
Total Operating Expenses					
Operating Taxes:					
Income tax expense					
Other operating taxes					
Total Operating Expenses and Taxes					
Operating Income (Loss)					
Other Income (Expense):					
Interest and dividends					
Allowance for funds used during construction					
Nonregulated operations, net					
Nonregulated operations-fiber, net					
Other income (expense)					
Nonoperating income tax (expense) benefit					
Total Other Income (Expense)					
Income Before Interest Expense					
Interest Expense					
Net Income (Loss)					
Retained Earnings, beginning					
Retained Earnings, ending	\$				

REDACTED

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**

**Consolidating Statements of Cash Flows**

Year Ended December 31, 2009

Schedule III

	<u>The Toledo Telephone Company, Inc.</u>	<u>Toledo Cellular, Inc.</u>	<u>Toledo Telenet Long Distance Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Cash Flows from Operating Activities:</b>					
Net income (loss)	\$				
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation					
Nonregulated depreciation					
Change in deferred taxes					
Income from subsidiaries					
Noncash patronage income received					
Changes in assets and liabilities:					
Accounts receivable					
Materials and supplies					
Prepaid expenses					
Income tax receivable					
Accounts payable					
Accrued expenses					
 Net Cash Provided by Operating Activities					
<b>Cash Flows from Investing Activities:</b>					
Capital expenditures					
Issuance of notes receivable, affiliate					
Proceeds from other investments					
Change in other investments					
Purchase of marketable securities					
Purchases of nonregulated equipment					
 Dividends received					
 Net Cash Used by Investing Activities					

**REDACTED**

**THE TOLEDO TELEPHONE CO., INC. AND SUBSIDIARIES**

**Consolidating Statements of Cash Flows, continued**

Year Ended December 31, 2009

Schedule III, continued

	<u>The Toledo Telephone Company, Inc.</u>	<u>Toledo Cellular, Inc.</u>	<u>Toledo Telenet Long Distance Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
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, beginning					
Cash and Cash Equivalents, ending					
Cash Paid During the Year for:					
Interest					
Income taxes					

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