CONSOLIDATED BALANCE SHEET

As of September 30, 2008 (Dollars in thousands)

ASSETS

CURRENT ASSETS

Cash and cash equivalents
Telecommunications accounts receivable
(less allowance of \$36)
Accounts receivable--nonaffiliated companies
Inventory
Prepaid expenses and other current assets

TOTAL CURRENT ASSETS

INVESTMENTS AND OTHER ASSETS

Investment in associated organizations Notes receivable--nonaffiliated companies Other assets

TOTAL INVESTMENTS AND OTHER ASSETS

PROPERTY, PLANT AND EQUIPMENT

Telecommunications plant under construction Telecommunications plant in service

TOTAL PROPERTY, PLANT AND EQUIPMENT

Less accumulated depreciation

NET PROPERTY, PLANT AND EQUIPMENT

TOTAL ASSETS



CONSOLIDATED BALANCE SHEET

As of September 30, 2008 (Dollars in thousands)

LIABILITIES AND MEMBERSHIP EQUITY

CURRENT LIABILITIES

Accounts payable and advance billing Current maturities--long-term debt Customer deposits Accrued taxes Accrued interest Accrued sick leave and vacation

TOTAL CURRENT LIABILITIES

LONG-TERM DEBT

Notes payable

OTHER LIABILITIES

Postretirement benefits other than pensions

TOTAL LIABILITIES

MEMBERSHIP EQUITY

Memberships subscribed and issued Contributed capital--Peoples Fibercom Corporation Retained earnings--patrons' capital credit Accumulated other comprehensive income (loss)-postretirement benefits other than pensions

TOTAL MEMBERSHIP EQUITY

TOTAL LIABILITIES AND MEMBERSHIP EQUITY



CONSOLIDATED STATEMENT OF INCOME

For the year ended September 30, 2008 (Dollars in thousands)

OPERATING REVENUES

Net operating revenues

OPERATING EXPENSES

Plant specific operations
Plant nonspecific operations
Depreciation
Customer operations

Corporate operations

OPERATING TAXES

Taxes - other

OPERATING INCOME

NONOPERATING INCOME
Other nonoperating income

FIXED CHARGES

Interest on long-term debt

NET INCOME (LOSS) BEFORE PROVISION FOR FEDERAL INCOME TAX

PROVISION FOR FEDERAL INCOME TAX

NET INCOME (LOSS) FOR THE PERIOD



Quitman, Texas

CONSOLIDATED STATEMENT OF MEMBERSHIP EQUITY

For the year ended September 30, 2008

(Dollars in thousands)

MEMBERSHIP EQUITY--Beginning of year

Net income

Memberships subscribed and issued

Capital credits paid

MEMBERSHIP EQUITY--End of year



CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended September 30, 2008 (Dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Net income (loss)

Adjustments to reconcile net income to net cash provided

by operating activities--

Depreciation

Increase in telecommunications accounts receivable

Decrease in accounts receivable--nonaffiliated companies

Increase in inventory

Decrease in prepaid expenses and other current assets

Decrease in accounts payable and accrued expenses

Increase in other liabilities

Total adjustments

NET CASH PROVIDED BY OPERATING ACTIVITIES

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures

Investment in nonaffiliated entities

NET CASH USED IN INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES

Net decrease in notes payable

Payment of capital credits

Net change in memberships subscribed

NET CASH USED IN FINANCING ACTIVITIES

NET INCREASE IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS--Beginning of year

CASH AND CASH EQUIVALENTS-End of year

Consolidated Financial Statements And Independent Auditor's Report

As of September 30, 2009 and 2008

Texas 557 Quitman Peoples Telephone Cooperative, Inc., and Subsidiaries Quitman, Texas INDEX TO FINANCIAL STATEMENTS As of September 30, 2009 and 2008

CONTENTS

	Page
Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Balance Sheets	2-3
Consolidated Statements of Income	4
Consolidated Statements of Membership Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-12
Supplemental Information	
Balance Sheets	13-14
Statements of Income and Equities Retained	15
Statements of Cash Flows	16



ARNOLD, WALKER, ARNOLD, & CO., P.C.

Certified Public Accountants and Consultants

Bob J. Arnold, C P.A. Lanny G. Walker, C.P.A. Kris Arnold, C.P.A. Andrew T. Arnold, C.P. A. Melissa J. Godfrey, C P A. MEMBER

American Institute Of Certified Public Accountants

Texas State Society Of Certified Public Accountants

Board of Directors Peoples Telephone Cooperative, Inc., and Subsidiaries Quitman, Texas 75783

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated balance sheets of Peoples Telephone Cooperative, Inc., and Subsidiaries as of September 30, 2009 and 2008, and the related consolidated statements of income, consolidated statements of membership equity and consolidated statements of cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit 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 financial statements 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 Peoples Telephone Cooperative, Inc., and Subsidiaries as of September 30, 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.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental information is presented for 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 audit 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.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

November 5, 2009

CONSOLIDATED BALANCE SHEETS

As of September 30, 2009 and 2008 (Dollars in thousands)

ASSETS

2008 2009 **CURRENT ASSETS** Cash and cash equivalents Telecommunications accounts receivable (less allowance of \$47 in 2009 and \$36 in 2008) Accounts receivable--nonaffiliated companies Inventory Prepaid expenses and other current assets TOTAL CURRENT ASSETS INVESTMENTS AND OTHER ASSETS Investment in associated organizations Notes receivable--nonaffiliated companies Other assets TOTAL INVESTMENTS AND OTHER ASSETS PROPERTY, PLANT AND EQUIPMENT Telecommunications plant under construction Telecommunications plant in service TOTAL PROPERTY, PLANT AND EQUIPMENT Less accumulated depreciation

NET PROPERTY, PLANT AND EQUIPMENT

TOTAL ASSETS

CONSOLIDATED BALANCE SHEETS

As of September 30, 2009 and 2008 (Dollars in thousands)

LIABILITIES AND MEMBERSHIP EQUITY		
	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Accounts payable and advance billing		
Current maturitieslong-term debt		
Customer deposits		
Accrued taxes		
Accrued interest		
Accrued sick leave and vacation		
TOTAL CURRENT LIABILITIES		
LONG-TERM DEBT		
Notes payable		
OTHER LIABILITIES		
Postretirement benefits other than pensions		
TOTAL LIABILITIES		
MEMBERSHIP EQUITY		
Memberships subscribed and issued		
Contributed capitalPeoples Fibercom Corporation		

N

Retained earnings--patrons' capital credit Accumulated other comprehensive income (loss)-postretirement benefits other than pensions

TOTAL MEMBERSHIP EQUITY

TOTAL LIABILITIES AND MEMBERSHIP EQUITY

CONSOLIDATED STATEMENTS OF INCOME For the years ended September 30, 2009 and 2008 (Dollars in thousands)

OPERATING REVENUES

Net operating revenues

OPERATING EXPENSES

Plant specific operations

Plant nonspecific operations

Depreciation

Customer operations

Corporate operations

OPERATING TAXES

Taxes - other

OPERATING INCOME

NONOPERATING INCOME

Other nonoperating income (loss)

FIXED CHARGES

Interest on long-term debt

NET INCOME BEFORE PROVISION FOR FEDERAL INCOME TAX

PROVISION FOR FEDERAL INCOME TAX

NET INCOME FOR THE PERIOD



CONSOLIDATED STATEMENTS OF MEMBERSHIP EQUITY

For the years ended September 30, 2009 and 2008 (Dollars in thousands)

MEMBERSHIP EQUITY--Beginning of year

Comprehensive income:

Net income

Accumulated other income--

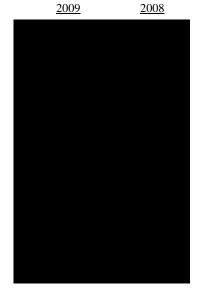
net change in postretirement benefits other than pensions

Total comprehensive income

Memberships subscribed and issued, net Contributed capital

Capital credits paid

MEMBERSHIP EQUITY--End of year



CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended September 30, 2009 and 2008 (Dollars in thousands)

2008 2009 CASH FLOWS FROM OPERATING ACTIVITIES Net income Adjustments to reconcile net income to net cash provided by operating activities--Depreciation Increase in telecommunications accounts receivable Decrease in accounts receivable--nonaffiliated companies Increase in inventory (Increase) decrease in prepaid expenses and other current assets Increase (decrease) in accounts payable and accrued expenses Increase in other liabilities Total adjustments NET CASH PROVIDED BY OPERATING ACTIVITIES CASH FLOWS FROM INVESTING ACTIVITIES Capital expenditures Investment in nonaffiliated entities, net NET CASH USED IN INVESTING ACTIVITIES CASH FLOWS FROM FINANCING ACTIVITIES Net decrease in notes payable Contributed capital Payment of capital credits Net change in memberships subscribed NET CASH USED IN FINANCING ACTIVITIES NET INCREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS--Beginning of year

The accompanying notes are an integral part of these consolidated financial statements.

CASH AND CASH EQUIVALENTS--End of year

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of September 30, 2009 and 2008 (Dollars in thousands)

Note 1--SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Cooperative is a diversified telecommunications service company, which, directly or through its wholly owned subsidiary, provides wireline local and network access services, long distance telephone services, operator assisted calling services, telecommunications equipment sale and leasing services, cable television services, Internet access and related services. The principal market for these telecommunications and cable services are local residential and business customers residing in Northeast Texas.

Local service rates charged to telephone customers are established by the Cooperative. Toll and access rates are subject to state and Federal Communications Commission regulation.

Accounting Method

Peoples Telephone Cooperative, Inc., (a Class A telephone company) and Subsidiaries follow accounting principles generally accepted in the U.S. These consolidated financial statements have been prepared using the accounting system prescribed in Part 32-Uniform System of the Accounts for Class A Telephone Companies as promulgated by the Federal Communications Commission.

Basis of Presentation

The consolidated financial statements include the accounts of Peoples Telephone Cooperative, Inc. (collectively referred to as the Cooperative) and its wholly-owned subsidiary Peoples Holding, Inc. which wholly owns Peoples Communication, Inc. (PCI) and Peoples Fibercom Corporation (PFC), dba Connextions Telcom.

Peoples Holding, Inc. also owns Peoples Wireless, LP by way of a 99.9% limited partner interest and by Peoples Holding, Inc.'s complete ownership of Peoples GP, LLC the 0.1% general partner of Peoples Wireless, LP.

An intermediary holding company (Peoples Holding, Inc.) was organized to hold investment in subsidiaries formerly held by the Cooperative. Peoples GP, LLC was formed to serve as the general partner of Peoples Wireless, LP.

All significant intercompany transactions are eliminated in the consolidation process. Investments in subsidiaries are accounted for under the equity method.

Investment in Nonaffiliated Companies

Investment in nonaffiliated companies is stated at cost.

Inventory

Inventories are recorded at weighted average unit cost.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 income and expenses during the reporting period. Actual results could differ from those estimates.

Bad Debts

The allowance for bad debts represents a provision for possible uncollectible accounts based upon estimates of management and historical experience.

Research and Development Costs

Research and development costs are charged to operations when incurred.

Telephone Plant and Depreciation Reserves

Telecommunications plant is stated substantially at original cost. Additions, replacements, and renewals of property determined to be units of property are charged to telecommunications plant accounts. The replacement of plant determined not to be a unit of property and the cost of maintenance and repair are charged to operating expense. Normal retirements are charged in total to the accumulated depreciation accounts along with the cost of removal, less salvage, with no gain or loss recognized. Depreciation expense is computed using the straight-line composite method based on estimated service lives of the various classes of depreciable property. The service lives of the regulated property are approved by the PUC.

The carrying value of long-lived assets is reviewed for impairment at least annually, or whenever events of changes in circumstances indicate that such carrying value may not be recoverable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of September 30, 2009 and 2008 (Dollars in thousands)

Note 1--SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Credits

Net income from operations is assigned to patrons on a patronage basis.

Income Taxes

As an organization formed under Internal Revenue Code Section 501(c)(12), Peoples Telephone Cooperative must receive 85 percent of its gross income from members to be tax exempt. PTC is not taxable at the state level. PCI and PFC are corporations and are taxable in both the federal and State of Texas jurisdictions. PTC files a consolidated federal income tax return with its subsidiaries.

Peoples Wireless, LP has elected taxation as a C corporation.

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The major temporary differences that give rise to the net deferred tax liability are differences in the bases of partnership investments and differences in depreciation methods and lives used for financial and income tax reporting.

Revenue Recognition

Revenues are recognized when earned. Network access and long distance revenues are furnished in conjunction with interexchange carriers and are determined by cost separation studies. Network access revenues are based upon interstate tariffs filed with the Federal Communications Commission by the National Exchange Carriers Association and state tariffs filed with state regulatory agencies by the Texas Exchange Carriers Association, now known as the Texas Universal Service Fund. Management believes recorded revenues are reasonable based on estimates of final cost separation studies which are typically settled within two years.

Credit Risk

Financial instruments which potentially subject the Cooperative to concentrations of credit risk consist principally of temporary cash investments. The Cooperative places its temporary cash investments with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the Cooperative's large number of customers. The Cooperative maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Cooperative has not experienced any losses in such accounts. The Cooperative believes it is not exposed to any significant credit risk on temporary cash investments.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Cooperative and Subsidiaries consider all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash investments are valued at market value.

Note 2--ASSETS PLEDGED

Substantially all assets are pledged as security for the long-term debt. See Note 7.

Quitman, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2009 and 2008

(Dollars in thousands)

Note 3--INVESTMENT IN TELEPHONE PLANT

Telephone plant in service and under construction is stated at cost. Listed below are the major classes of the telephone plant as of September 30, 2009 and 2008:

Land Motor vehicles Other work equipment Buildings Furniture and office equipment Central office equipment Poles, cables, and wire Telephone plant

Total Telecommunications Plant in Service

Telecommunications Plant Under Construction



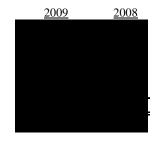
Depreciation expense for the twelve months ended September 30, 2009 and 2008 was respectively. General plant and depreciation rates have been applied on a straight-line basis and are as follows:

Buildings	3.01%	Circuit equipment	6.97%
Pole lines	7.10%	Circuit equipment-special	10.0%
Buried cable	4.28%	Station apparatus & towers	10.0%
Public telephone equipment	5.0%	Company communications	
Office support equipment	5.8%	equipment	5.02%
Vehicles	20.0%	Cell-site equipment	20.0%
Garage equipment	12.48%	Furniture	10-14.0%
Computers	14.3%	MTS equipment	30.0%

Note 4--INVESTMENT IN ASSOCIATED ORGANIZATIONS

Investments are stated at cost and consist of the following:

National Telecom Corporation Rural Telephone Finance Cooperative Texas RSA 7B2 Limited Partnership **NECA** Texas LS Network Total



Note 5--NOTES RECEIVABLE--NONAFFILIATED COMPANIES

A summary of notes receivable follows:

Communications Supply Service Association, at 5% interest.

Note 6--ACCOUNTS PAYABLE

Construction contract estimates and retainages included in accounts payable is approximately at September 30, 2009 and 2008 respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of September 30, 2009 and 2008 (Dollars in thousands)

Note 7--NOTES PAYABLE

Long-term debt is represented by mortgage notes and line of credit arrangements payable to the Rural Telephone Finance Corporation (RTFC). Following is a summary of outstanding long-term debt:

RTFC 6.65-7.00% interest quarterly, various maturities



Principal and interest installments on the above notes are due quarterly. The approximate maturities of long-term debt for the five years succeeding the balance sheet date are as follows:

Year ended	RTFC	RTFC
September 30	<u>Principal</u>	<u>Interest</u>
2010		
2011		
2012		
2013		
2014		
2015-2019		

The long-term debt agreements contain restrictions on the payment of patrons capital credits. The terms of the debt agreements require the maintenance of defined amounts of membership equity and earnings.

As a result of PTC's acquisition related to FEC Communications, LLP, a note amounting to due to Multi-Services Utilities, Inc. Such note is payable in annual installments of the communications.

Note 8--RELATED PARTY TRANSACTIONS

In the normal course of business, the Cooperative conducts business with affiliated companies.

Note 9--SICK LEAVE AND VACATION POLICIES

Sick leave and vacation policies have been adopted by Peoples Telephone Cooperative, Inc. Each full-time employee is allowed fifteen days sick leave during the initial employment year; however, no sick leave will be allowed until employed six months. If during a full succeeding year (January 1 through December 31) an employee does not utilize all of the sick leave time, the remaining days will be carried forward to the next year and 10 additional days will be added each year. There is no limit on the amount of days of sick leave that can be accrued. If an employee is terminated or quits the Cooperative, all accrued sick leave is forfeited. When an employee retires, the Cooperative shall buy back the accumulated sick leave days at the rate of 50% of a regular day's salary.

Concerning vacation policies, effective January 1, 1987, an employee of the Cooperative will have earned a vacation after having worked for the Cooperative for one full year. At that time, the employee may take the vacation earned from the time started with the Cooperative until January 1 following the start date at a rate of one day's vacation for every 208 regular hours worked, not to exceed ten days for the first year. Thereafter, an employee may take vacation after the first of each year. No vacation is allowed for an employee working less than six months. Employees will be permitted to carry over unused amounts of earned vacation from one calendar year to the next up to a maximum of the number of annual vacation days eligible that year. Deferred assets and accrued liabilities have been recorded to reflect these policies. As sick leave or vacation is actually taken by the employees, the accrued liability is decreased. Peoples Communication, Inc., and Peoples Wireless Services LP have no employees.

Note 10--BENEFIT PLANS

Pension benefits for substantially all employees are provided through the National Telephone Cooperative Association Retirement and Security Program (a defined benefit plan) and Savings Plan (a defined contribution plan). The Company makes annual contributions to the plans equal to the amounts accrued for pension expense. The Retirement and Security Program is a multi-employer plan and the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The total pension costs for the fiscal years 2009 and 2008 were

Quitman, Texas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2009 and 2008

(Dollars in thousands)

Note 11--POSTRETIREMENT BENEFITS OTHER THAN PENSION

The Cooperative provides certain health care benefits for eligible retired employees. The Cooperative accrues benefits over the employee service period until the employee becomes fully eligible to receive benefits. The Cooperative has elected to amortize the initial transition obligation of over 20 years. The transition obligation represents the actuarial present value of benefits attributed to employee service rendered to October 1, 1993. These plan has not been fully funded.

The following table sets forth the plan's status as of September 30, 2009 and 2008:

Obligations and Funded Status	2009	2008
Benefit obligation measured at September 30 Fair value of plan assets measured at September 30		
Funded status - liability recognized in the balance sheet		
Net periodic benefit cost		
, ·		
Assumptions		
Weighted average assumptions used to determine		
the benefit obligations nad net periodic benefit cost		
Discount rate	5.75%	5.75%
Expected return on plan assets	4.00%	4.00%
Rate of compensation increase	6.00%	6.00%

The health care cost trend rate used to measure the expected cost of benefits was a 6 percent annual rate of increase in 2008, increasing to 9 percent in 2009 and gradually continuing to decline to 5 percent by the year 2013.

Cash flows

The Company expects to contribute actual annual costs to its postretirement benefit plan in 2010.

Accumulated Other Comprehensive Income (AOCI):

Amounts in AOCI that have not been recognized in net periodic cost:

Net loss
Unamortized transition obligation
Unamortized prior service cost

Amounts recognized in comprehensive income:

Net gain arising during the year
Amortization of net loss
Amortization of prior service costs
Amortization of transition obligation

Quitman, Texas
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS As of September 30, 2009 and 2008 (Dollars in thousands)

Note 12--CAPITAL CREDITS

Long-term debt agreements with RTFC (Note 7), contain restrictions on the membership equity of the Cooperative. The restrictions are related in general to the Cooperative's adjusted net worth and assets as defined in the agreements. Dividends and other cash disbursements require RTFC's written consent when net worth as a percentage of total assets is forty percent or less.

Note 13--FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents approximates their fair value due to the short maturity of the investments.

Note 14--SUBSIDIARIES

As of September 30, 2009:

Peoples Holding, Inc.

Wholly-owned subsidiary of the Cooperative. Serves as intermediary holding company with ownership as follows:

<u>Peoples Communication, Inc.</u>
The corporation was formed to conduct deregulated telecommunications business for customers/members of Peoples Telephone Cooperative, Inc.

As of September 30, 2009, Peoples Telephone Cooperative, Inc., provides a substantial portion of the subsidiary revenues and cash flow. Peoples Communication, Inc. is presently dependent upon PTC in order to continue operations.

Peoples Wireless, LP (99.9% limited partner interest)

Entity provides cellular radio service in Wood and Rains Counties, Texas.

Peoples Fibercom Corporation

Peoples Fibercom Corporation, a Texas corporation, wholly owns Connextions Telcom. Connextions provides various telecommunications, internet, and CATV services in Rockwall and Kaufman Counties.

<u>Peoples GP, LLC</u> Serves as general partner for Peoples Wireless, LP. Owns 0.1% interest in such partnership.

Note 15--CASH AND CASH EQUIVALENTS INFORMATION

Cash paid during the fiscal year for: 2009 Interest (net of capitalized interest) Income taxes

Note 16--RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the cooperative purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 17--CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Cooperative to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. The Cooperative's policy is to place temporary cash investments with federally insured financial institutions and to require supplemental deposit insurance for certain bank accounts. Management believes the risk of credit loss due to nonperformance by counter parties is remote and any losses would not be material to the results of operations or financial condition.

Concentrations of credit risk with respect to telecommunications accounts receivable are limited due to the large number of customers. Management believes this risk to be low based on the nature of the receivables.



$\label{lem:peoples} \textbf{Peoples Telephone Cooperative, Inc. and Subsidiaries}$

Quitman, Texas

BALANCE SHEETS

As of September 30, 2007

(In thousands)

Peoples Telephone Peoples Peoples Wireless Peoples Fibercom Cooperative, Inc. Peoples Holding, Inc. Communications, Inc. Services Corporation Corporation

ASSETS

CURRENT ASSETS

Cash and cash equivalents

Telecommunications accounts receivable, net

Accounts receivable-nonaffilated companies

Accounts receivable-affiliated companies

Inventory

Prepaid expenses and other current assets

TOTAL CURRENT ASSETS

INVESTMENTS AND OTHER ASSETS

Investment in associated organizations

Investment in Peoples Communication, Inc.

Investment in Peoples Fibercom

Investment in Peoples GP, LLC

Investment in Peoples Wireless

Investment in Peoples Holding Inc.

Accounts receivable-affiliated companies

Notes receivable-nonaffiliated companies

Other assets

TOTAL INVESTMENTS AND OTHER ASSETS

PROPERTY, PLANT AND EQUIPMENT

Telecommunications plant under construction

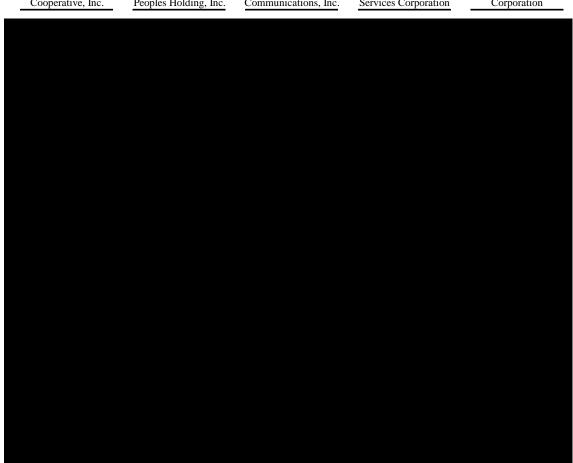
Telecommunications plant in service

TOTAL PROPERTY PLANT AND EQUIPMENT

Less accumulated depreciation

NET PROPERTY PLANT AND EQUIPMENT

TOTAL ASSETS



Peoples Telephone Cooperative, Inc. and Subsidiaries Quitman, Texas

BALANCE SHEETS

As of September 30, 2008

(In thousands)

Peoples Telephone Cooperative, Inc.

Peoples Holding, Inc.

Peoples Communications, Inc.

Peoples Wireless Services Corporation Peoples Fibercom Corporation

LIABILITIES AND EQUITIES

CURRENT LIABILITIES

Accounts payable-nonaffiliated companies

Accounts payable-affiliated companies

Current maturities-long term debt

Customer deposits

Accrued taxes

Accrued interest

Accrued sick leave and vacation

TOTAL CURRENT LIABILITIES

LONG-TERM DEBT

Notes payable

OTHER LIABILITIES

Postretirement benefits other than pensions

Accounts payable-affiliated companies

TOTAL OTHER LIABILITIES

TOTAL LIABILITIES

EQUITIES

Common stock

Paid in capital

Partners capital

Preferred stock

Retained earnings (deficit)

Accumulated other comprehensive income

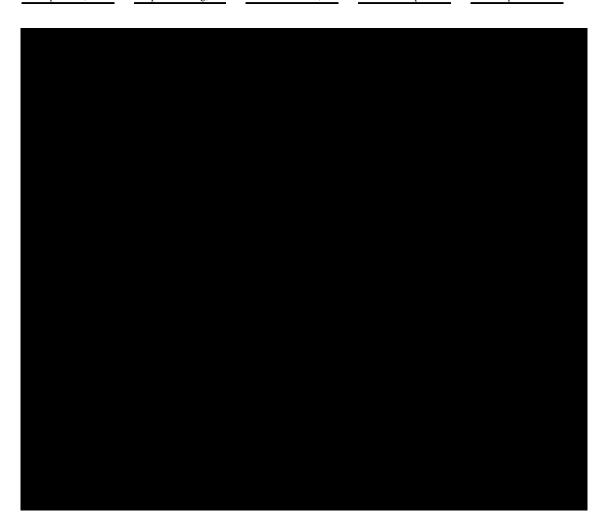
(loss)--postretirement benefits

Memberships subscribed and issued

Membership equity

TOTAL EQUITIES (DEFICIT)

TOTAL LIABILITIES AND EQUITIES



Peoples Telephone Cooperative, Inc. and Subsidiaries Quitman, Texas

STATEMENTS OF INCOME AND EQUITIES RETAINED

For the period ended September 30, 2008 (In thousands)

Peoples Telephone Peoples Peoples Wireless Peoples Fibercom Cooperative, Inc. Peoples Holding, Inc. Communications, Inc. Services Corporation Corporation

OPERATING REVENUES

OPERATING EXPENSES

Plant specific operations
Plant nonspecific operations

Depreciation

Customer operations

Corporate operations

OPERATING TAXES OPERATING INCOME (LOSS)

NONOPERATING INCOME (LOSS)

Equity in net income (loss) of subsidiaries Nonregulated net income Other

FIXED CHARGES

Interest on long-term debt Other

NET INCOME (LOSS) BEFORE PROVISION FOR FEDERAL INCOME TAX

PROVISION FOR FEDERAL INCOME (TAX) BENEFIT NET INCOME (LOSS) FOR THE PERIOD

EQUITIES RETAINED (DEFICIT)

Beginning of the year Less-Capital credits paid during the period Add (Less)-Dividends/distributions Contributed capital End of the year

Peoples Telephone Cooperative, Inc. and Subsidiaries

Quitman, Texas

STATEMENTS OF CASH FLOWS

For the period ended September 30, 2008

(In thousands)

Peoples Telephone Cooperative, Inc.

Peoples Holding, Inc.

Peoples Communications, Inc.

Peoples Wireless Services Corporation Peoples Fibercom Corporation

CASH FLOWS FROM OPERATING ACTIVITIES

Net income (loss)

Adjustments to reconcile net income (loss)

to net cash operating activities--

Depreciation

Equity in net (income) loss of subsidiaries

Decrease (increase) in telecommunications accounts receivable

(Increase) decrease in accounts receivable--nonaffiliated companies

(Increase) decrease in inventory

Decrease (increase) in prepaid expenses and other assets

(Increase) decrease in amounts (due from)/to affiliated companies--net

(Decrease) increase in accounts payable and accrued expenses

Increase (decrease) in other liabilities

Total adjustments

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures

Investment in entities

NET CASH USED IN INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES

Net increase (decrease) in notes payable

Add (less)-dividends/distributions

Payment of capital credits

Net change in memberships subscribed

NET CASH (USED IN) FINANCING ACTIVITIES

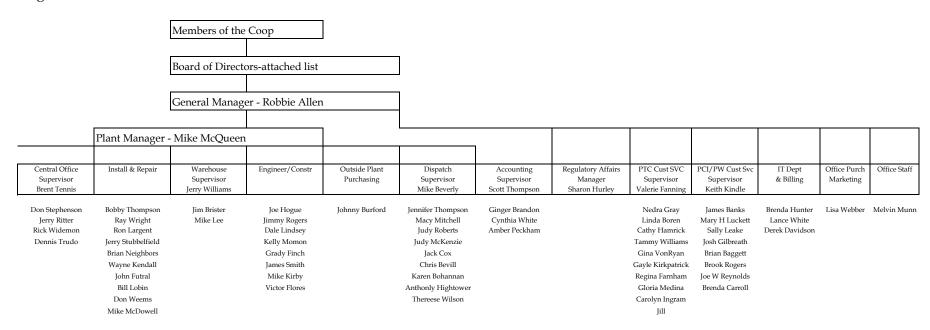
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS--Beginning of year

CASH AND CASH EQUIVALENTS--End of year



Peoples Telephone Cooperative, Inc. Organization Chart



KEY PERSONNEL BIOGRAPHICAL INFORMATION PEOPLES TELEPHONE COOPERATIVE, INC.

CHIEF FINANCIAL MANAGER:

CPA Scott Thompson joined the ranks of Peoples Telephone Cooperative on September 1, 1997, serving as Chief Financial Officer of Peoples Telephone Cooperative, Inc. since that date. As CFO, he oversees the financial management of our parent company as well as those of our four subsidiaries. Scott also supervises 3 employees and the team makes up our Accounting Department.

PROJECT MANAGER:

Mike McQueen wears many hats here at Peoples Telephone. Originally hired on February 3, 1975 as an outside plant engineer, Mike has increasingly accepted more responsibility. He now carries the title of Plant Manager, overseeing the Engineering, Outside Plant, and Installation/Repair Departments. Mike is very familiar with Peoples' network, having drawn up most of the routes himself.

GENERAL MANAGER:

Robbie Allen began his tenure at Peoples Telephone on October 13, 1976 as a clerk in our Accounting Department . He quickly proved himself and moved into the position of Assistant Manager within a year. Robbie became the 4th General Manager of Peoples Telephone Cooperative on July 1, 2001 when his predecessor retired. Mr. Allen has been progressive over the past 9 years, moving the Cooperative further and further into new telecommunications territory. Under his tutelage we have seen our DSL speeds increase six-fold and our lines of custom calling features increase along with our customer's take-rates. We offer wireless services to subscribers in neighboring Wood and Rains Counties and look forward to using our 700 spectrum to reach un-served rural areas when technology allows. Always championing rural America, Robbie has served on many boards and committees over the years, including the Communications Service Supply Corporation, the Texas State Telephone Cooperatives Inc., the National Telephone Cooperative Association, and the Foundation for Rural Service.

ADMINISTRATIVE SUPPORT:

Sharon Hurley was hired to handle Carrier Access Billing on October 15, 1984. Although she doesn't personally add each bill by hand anymore, she continues to oversee the CABS billing process. Sharon became Commercial Supervisor/Office Manager in November of 1991, a position she held until 1996 when she was promoted to Regulatory Affairs Manager. Sharon works with the East Texas Learning Interactive Network Consortium as company point of contact as well as assisting them with their USAC Schools & Libraries grants. The ET-LINC consortium is a network of area schools and colleges that has been instrumental in providing students greater learning opportunities and has greatly increased the percentage of graduating seniors with college credits.



March 18, 2010

To Whom It May Concern:

I am writing to recommend Peoples Telephone cooperative, Inc., receive NTIA support in their efforts to provide broadband infrastructure to rural areas within the State of Texas.

My name is Meredith Caddell and I am the President/CEO of the Hopkins County Chamber of Commerce. People Telephone intends to offer greater bandwidth to rural areas around our city and would greatly alleviate the rural areas' inability to receive acceptable bandwidth speeds and perform as well as in other suburban areas.

There is a great need for viable, robust infrastructure developments as they pertain to the long-term economic stability and growth of rural East Texas. Without the increased bandwidth supplied by Peoples Telephone, rural East Texas will continue to be technologically left behind and underserved.

I endorse Peoples Telephone Cooperative, Inc. and the plans they have to deploy greater broadband access and bandwidth in Hopkins County.

Sincerely,

Meredith Caddell

President/CEO

Website: www.sulphursprings-tx.com

Sheriff's Office





298 Rosemont Street

SULPHUR SPRINGS, TEXAS 75482



OFFICE PHONE (903) 438-4040 FAX (903) 438-4061 FAX (903) 438-4062

BUTCH ADAMS Sheriff

RICKEY MORGAN Chief Deputy

March 18, 2010

To Whom It May Concern:

I am writing to recommend Peoples Telephone Cooperative, Inc. receive NTIA support in their efforts to provide broadband infrastructure to rural areas within the State of Texas.

I am Butch Adams, Hopkins County Sheriff. Because we are located in a larger community our current bandwidth is at a speed similar to those in larger suburban areas. Peoples Telephone intends to offer greater bandwidth to rural areas around our city and would greatly alleviate these rural areas' inability to receive acceptable bandwidth speeds and perform as well as our counterparts in suburban areas.

As the Sheriff of Hopkins County, I understand the need for viable, robust infrastructure developments as they pertain to the long-term economic stability and growth of rural East Texas. Without the increased bandwidth supplied by Peoples Telephone, rural East Texas will continue to be technologically left behind and underserved.

I heartily endorse Peoples Telephone Cooperative, Inc. and the plans they have to deploy greater broadband access and bandwidth in our area. I feel their network will greatly enhance the communities we serve, including the rural areas surrounding us.

Signed,

Butch Adams

Hopkins County Sheriff



Jerry Edwards *Mayor*

physical address
401 East Goode Street

mailing address P.O. Box 1855 Quitman, TX 75787

> phone 903-763-2223 903-763-4045

<u>fax</u> 903-763-5631

email mayor@quitmantx.org March 12, 2010

To Whom It May Concern:

I am writing to express Quitman's support and endorsement of Peoples Wireless proposal under the Broadband Initiatives Program to provide enhanced broadband services and connectivity in our area.

As the Mayor of Quitman, I understand the need for viable, robust infrastructure developments as they pertain to long-term economic stability and growth of our region. Without the increased bandwidth Peoples Wireless is proposing to provide, our citizens and local businesses will be unable to take advantage of many of the opportunities broadband services provide. This would hamper their ability to meet the challenges and reap the rewards of living and working in the 21st century.

Quitman is located in rural Texas, and the current accessibility in our area is limited. Because of this, our abilities to attract new businesses to the area and to improve public services by adopting new technologies are constrained. Access to high speed Internet service will help us generate economic development in our community and provide increased potential for our citizens.

Endorsing Peoples Wireless plan to provide expanded broadband access and increased bandwidth in our area means endorsing our city's commitment to the economic development of our region, and I do this most sincerely.

Sincerely,

Jerry Edwards, Mayor

City of Quitman



March 22, 2010

To Whom It May Concern:

I am writing to recommend Peoples Telephone Cooperative, Inc. receive NTIA support in their efforts to provide broadband infrastructure to rural areas within the State of Texas.

We are located in Mount Pleasant, Titus County. Because we are located in a larger community our current bandwidth is at a speed similar to those in larger suburban areas. Peoples Telephone intends to offer greater bandwidth to rural areas around our city and would greatly alleviate these rural areas' inability to receive acceptable bandwidth speeds and perform as well as our counterparts in suburban areas.

As the Executive Director of the Mt. Pleasant/Titus County Chamber of Commerce, I understand the need for viable, robust infrastructure developments as they pertain to the long-term economic stability and growth of rural East Texas. Without the increased bandwidth supplied by Peoples Telephone, rural East Texas will continue to be technologically left behind and underserved.

I heartily endorse Peoples Telephone Cooperative, Inc. and the plans they have to deploy greater broadband access and bandwidth in our area. I feel their network will greatly enhance the communities we serve, including the rural areas surrounding us.

Respectfully,

Natalie Davis

TEXAS DEPARTMENT OF PUBLIC SAFETY

1001 E. COKE ROAD- P.O Box 751 WINNSBORO, TEXAS 75494 903-342-0492 or 903-342-0982



Steven McCraw
DIRECTOR
Lamar Beckworth
ASST DORFOTOM It May Concern:



COMMISSION
ALLAN B. POLUNSKY,
CHAIR
C. TOM CLOWE, JR.
ADA BROWN
JOHN STEEN
CARIN MARCY BARTH

I am writing to apprise you of the support I and my organization intend to offer to Peoples Telephone Cooperative, Inc. in their efforts to provide broadband infrastructure support to rural areas within the State of Texas.

We are located in Winnsboro, Texas, and straddle 2 counties. Because our current bandwidth is very limited we are not able to perform the functions greater accessibility and affordability might provide us. Peoples Telephone intends to offer greater bandwidth to our rural area and would greatly alleviate our inability to perform as well as our counterparts in suburban areas.

As the Sergeant of the Wood and Rains County Texas Highway Patrol, I understand the need for viable, robust infrastructure developments as they pertain to the services we perform and as they pertain to the long-term economic stability and growth of rural East Texas. Without the increased bandwidth supplied by Peoples Communication, Inc., we will not be able to grow our rural economy in a competitive manner and may end up losing industries to more populous regions.

Endorsing Peoples Telephone Cooperative, Inc. and the plans they have to deploy greater broadband access and bandwidth in our area means endorsing my organization's ability to better serve its purpose and the communities we serve, and I do this most sincerely.

Signed,

Sgt. Willie Drabble Texas Highway Patrol

Wood County Rains County

The State of Texas House of Representatives



CAPITOL OFFICE: P.O. BOX 2910 AUSTIN, TEXAS 78768-2910 512-463-0650 FAX: 512-463-0575 DISTRICT OFFICE: 1849 LAMAR AVE. PARIS, TEXAS 75460 903-784-0977 FAX: 903-739-8411

March 18, 2010

TO WHOM IT MAY CONCERN

Please accept this correspondence as my letter of support to Peoples Telephone Cooperative, Inc. in their efforts to provide broadband infrastructure support to the rural areas within the State of Texas. My constituents are located in Delta, Franklin, Hopkins, Lamar, Red River and Titus counties in rural Northeast Texas. Because our current bandwidth is very limited we are unable to perform the functions greater accessibility and affordability would provide us. Peoples Telephone intends to offer greater bandwidth to our rural area and would greatly alleviate our inability to perform as well as our counterparts in suburban areas.

As the State Representative for Texas House District 3, I understand the need for viable, robust infrastructure developments as they pertain to the services we perform and to the long-term economic stability and growth of rural east Texas. Without the increased bandwidth supplied by Peoples Telephone Cooperative, we will not be able to grow our rural economy in a competitive manner and will likely lose industries to more populous regions. We will not be able to sustain our growing technological needs and our school children will not enjoy the opportunities afforded to their suburban counterparts.

Our schools and universities are located in a variety of rural towns and communities in East Texas. Rural bandwidth is expensive and we are rapidly falling behind in affordable bandwidth rates. Peoples Telephone Cooperative Inc. intends to offer greater bandwidth to other rural schools outside of their current serving area; their effort would greatly alleviate our inability to perform as well as our counterparts in suburban areas and would connect otherwise alienated rural schools. Should NAIA decide to support Peoples Telephone with stimulus funding, there is no doubt they will grow to reach under-served rural schools and provide unlimited opportunities for growth.

Endorsing Peoples Telephone Cooperative Inc. and the plans they have to deploy greater broadband access and bandwidth in our area means endorsing my ability to better serve my constituents, a responsibility that I take very seriously.

Sincerely.

Mark Homer

Member, Texas House of Representatives

MH/gh



Titus County Commissioners' Court Mt. Pleasant, Texas

March 23, 2010

To Whom It May Concern:

As County Judge of Titus County, I am writing to inform you of the action taken by our Commissioner's Court in its Special Meeting this morning. Titus County supports the efforts by Peoples Telephone Cooperative, Inc., to provide broadband infrastructure and enhanced broadband services and connectivity in our area and other rural areas within the State of Texas.

Our Commissioner's Court understands the need for viable, robust infrastructure developments as they pertain to the services we provide and to the long-term economic stability and growth of our region. Without the increased bandwidth Peoples Telephone Cooperative is proposing to provide, our citizens and local businesses will be unable to take advantage of many of the opportunities that broadband services provide. This will hamper their ability to meet the challenges and reap the rewards of living and working in the 21st century.

Titus County is located in rural northeast Texas, and our current Internet accessibility is limited in speed. Because of this, our ability to attract new businesses to the area and to improve public services by adopting new technologies is constrained. Access to high speed Internet service will allow us to meet the needs of businesses and individuals in our rural county.

Endorsing Peoples Telephone Cooperative's plan to provide expanded broadband access and increased bandwidth in our area means endorsing our county's commitment to economic development and enhanced public services. Our Commissioner's Court does this most sincerely.

Sam W. Russell

Titus County Judge

Sincerely,

CAMP COUNTY

26 CHURCH STREET #303 AMP COUNTY COURTHOUSE ITTSBURG, TEXAS 75686

Thomas Cravey



County Judge

OFFICE (903) 856-384 FAX (903) 856-230 EMAIL: THOMCRAVEY@AOL.COI

March 16, 2010

To Whom It May Concern:

I am writing to express the County of Camp's support and endorsement of Peoples Telephone Cooperative's proposal under the Broadband Technology Opportunities Program Title to provide enhanced broadband services and connectivity in our area.

As the Judge of Camp County, I understand the need for viable, robust infrastructure developments as they pertain to the services we provide and to the long-term economic stability and growth of our region. Without the increased bandwidth, Peoples Telephone Cooperative is proposing to provide, our citizens and local businesses will be unable to take advantage of many of the opportunities broadband services provide. This would hamper their ability to meet the challenges and reap the rewards of living and working in the 21st Century.

The County of Camp is located in rural Texas, and our current accessibility is limited in speed. Because of this, our abilities to attract new businesses to the area and to improve public services by adopting new technologies are constrained. Access to high speed Internet service will allow us to meet the needs of businesses and individuals in our rural county.

Endorsing Peoples Telephone Cooperative's plan to provide expanded broadband access and increased bandwidth in our area means endorsing our county's commitment to economic development and enhanced public services, and I do this most sincerely.

Respectfully,

Thomas Cravey

Camp County Judge



March 19, 2010

Subject:

Support Letter for High Speed Broadband Technology Grant

To Whom it May Concern:

Northeast Texas and in particular the more rural communities are lacking access to broadband technology and I applaud your effort to obtain it by pursuing this grant. Today a number of the counties in this region have surpassed unemployment of 10% and several others are very close to that figure. Increased access to the broadband technology would increase the education opportunities for those unemployed persons and increase their opportunities to reach out on the web and learn about jobs and careers that are available outside the immediate area.

Broadband technology would enhance the opportunities that organizations like the Industrial Foundation have to locate primary employers to this area. The entire business community demands high speed internet today. It is the equivalent of the Highway system of the 1930s and 40s in importance.

This organization supports any effort to improve the broadband capacity within this region. If you have any questions, please do not hesitate to call me.

Sincerely,

Charles L. Smith, CEcD

Executive Director, MPIF



CITY OF WINNSBORO

501 South Main Street Winnsboro, Texas 75494 Phone: (903) 342-3654 Fax: (903) 342-5708

01-MAR-2010

To Whom It May Concern:

I am writing to affix the support and endorsement of myself and my organization in the effort Peoples Communication, Inc. is making to provide broadband infrastructure support to rural areas within the State of Texas.

We are located in Winnsboro, Texas – Wood, Franklin, and Hopkins Counties. Our current accessibility is very limited and in some cases non-existent. Because of this, we are not able to perform the functions greater accessibility and affordability might provide us.

As the Economic Development Director for the City of Winnsboro, Texas, I understand the need for viable, robust infrastructure developments as they pertain to the services we perform and as they pertain to the long-term economic stability and growth of our region. Without the increased bandwidth supplied by Peoples Communication, Inc., we would not be able to grow the economy in the community in a competitive manner and are at risk of losing industries and jobs.

Endorsing Peoples Communication, Inc. and the plans they have to deploy greater broadband access and bandwidth in our area means endorsing Winnsboro's ability to better serve its purpose and the community we serve.

Sincerely,

Shane Shepard MS

Economio Development Director

City of Winnsboro, Texas

903.342.0684



Winnsboro Area Chamber of Commerce

March 11, 2010

To Whom It May Concern:

I am writing to apprise you of the support my organization and I intend to offer to Peoples Communication, Inc. in their efforts to provide broadband infrastructure support to rural areas within the State of Texas.

We are located in Winnsboro, Texas, and straddle three counties. Because our current bandwidth is very limited we are not able to perform the functions greater accessibility and affordability might provide us. Peoples Communication, Inc. intends to offer greater bandwidth to our rural area and would greatly alleviate our inability to perform as well as our counterparts in suburban areas.

As the President of the Chamber of Commerce, I understand the need for viable, robust infrastructure developments as they pertain to the services we perform and as they pertain to the long-term economic stability and growth of rural East Texas. Without the increased bandwidth supplied by Peoples Communication, Inc., we will not be able to grow our rural economy in a competitive manner and may end up losing industries to more populous regions.

Endorsing Peoples Communication, Inc. and the plans they have to deploy greater broadband access and bandwidth in our area means endorsing my organization's ability to better serve its purpose and the communities we serve, and I do this most sincerely.

Larry Morchant, President

Winnsboro Chamber of Commerce



Wood County Randy Selman, Fire Marshal



Emergency Management Coordinator

P.O. Box 938 * Quitman, TX 75783-0938 * (903) 763-2356 (903) 763-4607 FAX * E-Mail: rselman@co.wood.tx.us

To Whom It May Concern:

I am writing to affix the support and endorsement of myself and my organization in the effort Peoples Communication, Inc. is making to provide broadband infrastructure support to rural areas within the State of Texas.

We are located in Wood County Texas; our current accessibility is minimal, at best. Because of this, we are not able to perform the functions greater accessibility and affordability might provide us.

As the Emergency Management Coordinator for Wood County, Texas, I understand the need for viable, robust infrastructure developments as they pertain to the services we perform and as they pertain to the long-term economic stability and growth of our region. Without the increased bandwidth supplied by Peoples Communication, Inc., we would not be able to upgrade our public safety efficiency, provide urgent notifications to the citizens of Wood County to protect property, or most importantly the lives of the citizens we are here to serve.

Endorsing Peoples Communication, Inc. and the plans they have to deploy greater broadband access and bandwidth in our area means endorsing my organization's ability to better serve its purpose and the community(ies) we serve, and I do this most sincerely.

Signed,

Randy Selman

Wood County Emergency Management Coordinator



March 16, 2010

To Whom It May Concern:

I am writing to express the City of Mount Pleasant's support and endorsement of Peoples Telephone Cooperative's proposal under the Broadband Technology Opportunities Program Title to provide enhanced broadband services and connectivity in our area.

As the City Manager of the City of Mount Pleasant, I understand the need for viable, robust infrastructure developments as they pertain to the services we provide and to the long-term economic stability and growth of our region. Without the increased bandwidth Peoples Telephone Cooperative is proposing to provide, our citizens and local businesses will be unable to take advantage of many of the opportunities broadband services provide. This would hamper their ability to meet the challenges and reap the rewards of living and working in the 21st Century.

The City of Mount Pleasant is located in rural Texas, and the current accessibility of rural areas around us is limited in speed. Because of this, our abilities to attract new businesses to the area and to improve public services by adopting new technologies are constrained. Access to high speed Internet service will allow us to meet the needs of businesses and individuals in our rural county.

Endorsing Peoples Telephone Cooperative's plan to provide expanded broadband access and increased bandwidth in our area means endorsing our county's commitment to economic development and enhanced public services, and I do this most sincerely.

Respectfully,

Michael Ahrens City Manager



Affiliated with Baylor Health Care System

March 18, 2010

To Whom It May Concern:

I am writing to recommend Peoples Telephone Cooperative, Inc. receive NTIA support in their efforts to provide broadband infrastructure to rural areas within the State of Texas.

We are located in Sulphur Springs, Texas. Because we are located in a larger community our current bandwidth is at a speed similar to those in larger suburban areas. Peoples Telephone intends to offer greater bandwidth to rural areas around our city and would greatly alleviate these rural areas' inability to receive acceptable bandwidth speeds and perform as well as our counterparts in suburban areas.

As the Chief Executive Officer of Hopkins County Memorial Hospital, I understand the need for viable, robust infrastructure developments as they pertain to the long-term economic stability and growth of rural East Texas. Without the increased bandwidth supplied by Peoples Telephone, rural East Texas will continue to be technologically left behind and underserved.

I heartily endorse Peoples Telephone Cooperative, Inc. and the plans they have to deploy greater broadband access and bandwidth in our area. I feel their network will greatly enhance the communities we serve, including the rural areas surrounding us.

Signed,

Michael McAndrew Chief Executive Officer

Hopkins County Memorial Hospital



East Texas Medical Center Regional Healthcare System

March 20, 2010

To Whom It May Concern:

I am writing to express the East Texas Medical Center - Quitman's support and endorsement of Peoples Telephone Cooperative, Inc.'s proposal under the Broadband Technology Opportunities Program to provide enhanced broadband services and connectivity in our area.

As the Administrator of the ETMC – Quitman hospital, I understand the importance of making high speed Internet available to the medical professionals in our area. Broadband has the potential to improve health care services in rural areas by offering patients access to experts through telemedicine and by allowing practitioners instant access to imaging, test results, and other patient data in digital format. Without the increased bandwidth Peoples Telephone Cooperative, Inc. is proposing to provide, our patients and health care professionals will be unable to take advantage of these and other cutting edge medical technologies.

Our hospital is located in Quitman, Texas, and our current accessibility is limited. Because of this, we do not have the bandwidth to meet some specific needs of our patients. Access to high speed Internet service will allow us to run our operations more efficiently and better serve our patients.

Endorsing Peoples Telephone's plan to provide expanded broadband access and increased bandwidth in our area means endorsing our hospital's commitment to providing our patients with access to the highest quality of care.

Signed,

Brody Clark Administrator

ETMC - Quitman

NORTHEAST TEXAS CHILD ADVOCACY CENTER. INC.

Serving Camp, Delta, Franklin, Hopkins, Rains, Titus, Upshur and Wood Counties



March 12, 2010

To Whom It May Concern:

I am writing to express the Northeast Texas Child Advocacy Center's (NETCAC) support and endorsement of Peoples Telephone proposal under the Broadband Initiatives Program to provide enhanced broadband services and connectivity in our area.

As the Executive Director of NETCAC, I understand the need for viable, robust infrastructure developments as they pertain to long-term economic stability and growth of our region. Without the increased bandwidth Peoples Telephone is proposing to provide, our local nonprofit would be unable to take advantage of many of the opportunities broadband services provide. This would hamper our ability to meet the challenges and reap the rewards of living and working in the 21st century.

The Northeast Texas Child Advocacy is located in rural Texas, and the current accessibility in our area is limited. Access to high speed Internet service will help with increased potential for our clients.

Endorsing Peoples Telephone plan to provide expanded broadband access and increased bandwidth in our area means endorsing our center's commitment to assist child abuse victims in our region, and I do this most sincerely.

Sincerely,

Jerry Edwards, Executive Director

Northeast Texas Child Advocacy Center, Inc.

Executive Director Jerry W. Edwards

Administrative Assistant Virginia Mills

Receptionist Lela Groves Cindy Howle Margaret Richardson

Program Director Kathy Smedley, M.Ed., LPC, LMFT

> Forensic Interviewer Beth Boemler, BA

Child Advocate Martha A. Dykes, LBSW

Caring for Kids Program Director Imelda Tatsch

Family Advocate/Volunteer Coordinator
Jennifer Williams

Board of Director Allison Rios, President Pat Kerns, Vice-President Dan Schmeling, Treasurer Lula Johnson, Secretary

> Martin Braddy Melanie Cleveland Kelly Cole Pam Gossett Jerry Hirsch Linda Keller Garry Littlejohn Jim Lewman Tina Phillips Louise Stone Robert Viitow

Funding Provided by:
National Children's Alliance
Children's Advocacy Centers of Texas
United Way
Camp County
Franklin County
Hopkins County
Rains County
Titus County



Wood County Upshur County

CHILDREN'S ALLIANCE*



Get Healthy, Stay Healthy, Live Healthy

903.577.6000 www.titusregional.com

March 19, 2010

To Whom It May Concern:

I am writing to express Titus Regional Medical Center's support of the proposal by Peoples Telephone Cooperative, Inc. to provide enhanced broadband services and connectivity in our area under the Broadband Technology Opportunities Program.

As the CEO of Titus Regional Medical Center, I understand the importance of making improved high speed Internet available to the medical professionals and facilities in our area. Broadband has the potential to enhance healthcare services in rural areas by allowing practitioners instant access to imaging, test results, and other patient data in digital format. Without the increased bandwidth Peoples Telephone Cooperative, Inc. is proposing to provide, our patients and health care professionals may be restricted in the future in their ability to take advantage of these and other cutting-edge medical technologies.

Our hospital is located in Mount Pleasant, Texas and while our current accessibility, speed and bandwidth is good, we can easily project forward to a need for a more robust service in the near future.

We feel that providing our support to the Peoples Telephone plan to provide expanded broadband access and increased bandwidth in our area is consistent with our goal of providing outstanding healthcare to the citizens of this area.

Very sincerely,

Ron Davis

Chief Executive Officer



March 23, 2010

To Whom It May Concern:

On behalf of the Quitman Public Library and the community it serves, I am expressing my support and endorsement of Peoples Telephone Cooperative, Inc.'s proposal under the Broadband Technology Opportunities Program to provide enhanced broadband services and connectivity in our area.

For many rural Americans, the public library is the heart of the community, and this is evident at the Quitman Public Library located in the City of Quitman, Wood County, Texas, where our patron count more than doubles the city's population. (According to data published in 2002 by the U.S. Department of Education, three out of ten libraries in the United States are defined as smaller, rural libraries serving less than 2,500 people.)

As the Library Director, I recognize the importance of having high speed Internet available for this library as well as for the smaller libraries in our surrounding area. The public library is often the only source of Internet access for patrons in rural communities, and it is important that rural areas have access to the same Internet bandwidth rate and speed that is available to those in larger cities and urban communities.

Without the increased bandwidth Peoples Telephone is proposing to provide, our patrons will be ill-equipped to take advantage of the wealth of information the Internet has to offer. Access to high speed Internet service will allow the Quitman Public Library to connect patrons with online information and resources in areas of research, education, literacy, small business support, workforce development, technology, health, reference, leisure diversion, current events, and general information.

Endorsing Peoples Telephone Cooperative, Inc.'s plan to provide expanded broadband access and increased bandwidth in our area means endorsing our library's commitment to providing our patrons with access to as much information as possible, and I do this most sincerely.

Signed,

Delene DelaRosa Library Director

1 Chute, A., P. Garner, M. Polcari and C.J. Ramsey, eds. 2002. "Profile of Rural Public Libraries in the United States: A Comparison of Library Statistics." Public Libraries in the United States: Fiscal Year 1999. U.S. Department of Education, National Center for Education Statistics, Washington, D.C. http://www.ala.org/ala/aboutala/offices/olos/outreachresource/docs/Rural and Small Library Statistics.pdf (accessed March 23, 2010).

Pittsburg-Camp Co. Public Library

A 501(c)(3) Non-Profit 613 Quitman Street Pittsburg, TX 75686 Telephone (903) 856-3302 Fax (903) 856-0591 E-mail: <u>pccpl@sbcglobal.net</u>

March 18, 2010

To Whom It May Concern:

I am writing to express the Pittsburg-Camp County Public Library's support and endorsement of Peoples Telephone Cooperative, Inc.'s proposal under the Broadband Technology Opportunities Program to provide enhanced broadband services and connectivity in our area.

As the Director of the Pittsburg-Camp County Public Library, I understand the importance of having high speed Internet available at our communities' libraries. The Internet is an invaluable research tool for our patrons, and we recognize that the library provides the only source of Internet access for some community members. Without the increased bandwidth Peoples Telephone is proposing to provide, our patrons will be illequipped to take advantage of the wealth of information the Internet has to offer.

Our library is located in Pittsburg, Texas, and our current accessibility is limited. Because of this, we do not have the bandwidth to meet the needs of our patrons. Access to high speed Internet service will allow us to provide more and better internet access, (additional bandwidth on existing computer stations, increase our number of public computer stations, and increase our Wi-Fi/wireless connection capabilities).

Endorsing Peoples Telephone Cooperative, Inc.'s plan to provide expanded broadband access and increased bandwidth in our area means endorsing our library's commitment to providing our patrons with access to as much information as possible, and I do this most sincerely.

Cordially yours,

Nancy Murillo

Nancy Murillo Library Director

Pittsburg-Camp County Public Library

Sulphur Springs Public Library



611 Davis Street N. Sulphur Springs, TX 75482 (903) 885-4926 www.sslibrarv.org

Re: Peoples Telephone Cooperative

March 19, 2010

To Whom It May Concern,

I support further development of a broadband infrastructure for Sulphur Springs and the people of Hopkins County. Thus, it is with strong recommendation that Peoples Telephone Cooperative, Inc. be allowed the opportunity to receive NTIA funding in their effort to provide a broadband infrastructure to rural areas within the State of Texas.

In accordance with my role as library director for Sulphur Springs Public Library, I know firsthand how vital access to telecommunications is to rural communities. For patrons living beyond the city limits, the library is the only point of distribution and access to broadband services. Therefore, in many cases, if patrons cannot gain transportation to our facility, they do not gain access to basic entitlements and services such as the ability to apply for a job, complete an online homework assignment or even the ability to view or balance their checking account.

Likewise, it is also just as important to strategic planning and development within the area, that the comprehensive benefits of both the short and long-range stimulus broadband provides be witnessed. Globally, it reinforces existing infrastructure comprised of businesses who seek broadband. Moreover, it encourages new and aspiring businesses to select our city and county due to the potential of the broadband service offering.

Once again, access to broadband is of great significance to this community as well as another opportunity for sustained growth.

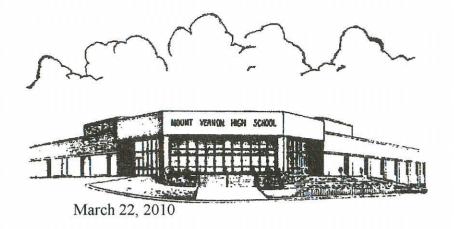
Sincerely,

Cheryl Lawson

Chery Lausen

Director

Sulphur Springs Public Library



Mt. Vernon High School P.O. Box 1139 Mt. Vernon, Texas 75457 (903) 537-3700 Fax (903) 537-2536

To Whom It May Concern:

I am writing to recommend Peoples Telephone Cooperative, Inc. receive NTIA support in their efforts to provide broadband infrastructure to rural areas within the State of Texas.

We are located in Mt. Vernon, Texas. Because we are located in a larger community our current bandwidth is at a speed similar to those in larger suburban areas. Peoples Telephone intends to offer greater bandwidth to rural areas around our city and would greatly alleviate these rural areas' inability to receive acceptable bandwidth speeds and perform as well as our counterparts in suburban areas.

As the Principal of Mt. Vernon High School, I understand the need for viable, robust infrastructure developments as they pertain to the long-term economic stability and growth of rural East Texas. Without the increased bandwidth supplied by Peoples Telephone, rural East Texas will continue to be technologically left behind and underserved.

I heartily endorse Peoples Telephone Cooperative, Inc. and the plans they have to deploy greater broadband access and bandwidth in our area. I feel their network will greatly enhance the communities we serve, including the rural areas surrounding us.

Signed,

Kelly Baird Principal

Mt. Vernon High School

To Whom It May Concern:

I am writing to apprise you of the support I and my organization intend to offer to Peoples Telephone Cooperative, Inc. in their efforts to provide broadband infrastructure support to rural schools within the State of Texas.

As the Superintendent of Rivercrest Independent School District, I understand the need for rural school districts to connect to the internet at higher bandwidth speeds than are currently possible with rural networks. Peoples Telephone is proposing to offer higher bandwidth speeds to rural East Texas towns as well as add impetus to our plans to network rural schools and universities. I understand the need for viable, robust infrastructure developments as they pertain to our network and as they pertain to the long-term economic stability and growth of rural East Texas as a whole. Without the increased bandwidth supplied by Peoples Telephone, we will not be able to sustain our growing technological needs and our children will not enjoy the opportunities afforded to their suburban counterparts.

Our schools and universities are located in a variety of rural towns and communities in East Texas. Because Peoples has provided bandwidth to their area schools, they are able to access the internet at speeds nearly consistent with our suburban neighbors at an affordable price. However, rural bandwidth is expensive and we are rapidly falling behind affordable bandwidth rates. Peoples Telephone Cooperative, Inc. intends to offer greater bandwidth to other rural schools outside of their current serving area; their effort would greatly alleviate our inability to perform as well as our counterparts in suburban areas and would connect otherwise alienated rural schools. Should NTIA decide to support Peoples Telephone with stimulus funding, there is no doubt that they will grow to reach underserved rural schools and provide opportunities for growth to same.

Endorsing Peoples Telephone Cooperative, Inc. and the plans they have to deploy greater broadband access and bandwidth in our area means endorsing my school's ability to better serve our purpose and the communities we serve, and I do this most sincerely.

Signed.

Rickey Logan Superintendent

Ribery boy

Rivercrest ISD



WINNSBORO INDEPENDENT SCHOOL DISTRICT

Dr. Mark D. Bosold Superintendent

207 East Pine Street • 903-342-3737 •

Winnsboro, Texas 75494 Fax 903-342-3380

March 22, 2010

To Whom It May Concern:

I am writing to recommend Peoples Telephone Cooperative, Inc. receive NTIA support in their efforts to provide broadband infrastructure to rural areas within the State of Texas.

We are located in Winnsboro, Texas. Because we are located in a larger community our current bandwidth is at a speed similar to those in larger suburban areas. Peoples Telephone intends to offer greater bandwidth to rural areas around our city and would greatly alleviate these rural areas' inability to receive acceptable bandwidth speeds and perform as well as our counterparts in suburban areas.

As the superintendent of Winnsboro ISD, I understand the need for viable, robust infrastructure developments as they pertain to the long-term economic stability and growth of rural East Texas. Without the increased bandwidth supplied by Peoples Telephone, rural East Texas will continue to be technologically left behind and underserved.

I heartily endorse Peoples Telephone Cooperative, Inc. and the plans they have to deploy greater broadband access and bandwidth in our area. I feel their network will greatly enhance the communities we serve, including the rural areas surrounding us.

Sincerely,

Mark Bosold, Ed. D. Superintendent



RAINS INDEPENDENT SCHOOL DISTRICT

P. O. Box 247 1759 West US Highway 69 Emory, Texas 75440-0247 Main Number 903/473-2222 Administration FAX 903/473-3053 http://www.rains.k12.tx.us

DAVID M. SEAGO Superintendent Extension 4115

SUSIE GRIDER
Assistant Superintendent
of Curriculum/Instruction
Extension 4116

G. F. "JEFF" FISHER Assistant Superintendent of Finance Extension 4114

JANA ANDREWS Director of Special Education Extension 4118

RANDELL WELLMAN High School Principal Extension 1413 FAX: 903/473-5584

DENISE FLAGG Junior High Principal Extension 2101 FAX: 903/473-5162

MAYBETH MCMAHAN Intermediate Principal Extension 2105 FAX: 903/473-5162

ANGIE TRULL Elementary Principal Extension 3164 FAX: 903/473-7259

JACKIE RUSSELL
HS Assistant Principal
Extension 1410

BRANNON KIDD Athletic Director Extension 1411

VINCIENT TAYLOR Band Director Extension 1502

HILDA ELLISON High School Counselor Extension 1412

JACKIE DAMMANN High School Dean of Students Extension 1402

SHERRI WRIGHT Junior High Counselor Extension 2121

KATHY MCLELLAND Intermediate Counselor Extension 2149

JILL GOWIN Elementary Counselor Extension 3149

LISA J. CLARK Director of Technology Extension 4138 March 4, 2010

To Whom It May Concern:

I am writing on behalf of the Rains Independent School District to express to you our continued support and endorsement of Peoples Communication, Inc., and their efforts to provide and expand their broadband infrastructure support to our rural schools and universities within the State of Texas. As superintendent of the Rains ISD, I have enjoyed a close working relationship with Peoples Communications for the past twelve years. Since the inception of ET-Linc in 1996, Peoples Communications has provided the network infrastructure necessary to connect our consortium's schools and area colleges.

In the last decade, as technological requirements have escalated, Peoples Communications have continued to increase their network infrastructure to meet the demands of their customers. As their customers, our school districts and universities are located in a variety of rural towns and communities covering a large geographical area in East Texas. At this time, we are able to access the internet at speeds nearly consistent with our suburban neighbors at an affordable price. However, rural bandwidth is expensive and we are rapidly falling behind affordable bandwidth rates. Without the continued ability of Peoples Communications to expand their network infrastructure, our consortium will experience insurmountable difficulties encumbered by inadequate access to Tyler Junior College, our service provider for college courses. This situation could result in limited connectivity for our college dual-credit classes which would be detrimental to our student's futures and leave them unable to compete with their suburban counterparts. At this time, 12% of our graduating seniors from Rains ISD graduate with multiple dual-credit college hours that give them a definite advantage entering college. In comparison, prior to ET-Linc's conception in 1996, there were only a small number of students that graduated with any dual-credit college hours at all.

The long-term economic stability and growth of rural East Texas is dependent upon our school districts graduating students who are properly educated and are able to continue to live in this area. If NTIA decides to support Peoples Communications with stimulus funding, thereby providing the funds to expand their network infrastructure, there is no doubt that not only will our consortium continue to grow and better serve our students, but other rural school districts that are currently unable to connect to colleges and universities will be able to provide their students with similar opportunities. With this letter, Rains ISD is endorsing Peoples Communication, Inc. and their plans to deploy greater broadband access and bandwidth to our schools and communities in East Texas.

Sincerely,

David M. Seago

Superintendent of Schools

Susie Gride

Asst. Superintendent for Curr/Inst.

To Whom It May Concern:

I am writing on behalf of the East Texas Learning Interactive Network Consortium (ET-LINC), to express to you our continued support and endorsement of Peoples Communication, Inc., and their efforts to provide and expand their broadband infrastructure support to our rural schools and universities within the State of Texas. As the chairperson and Fiscal Agent of the ET-Linc Consortium and the Technology Director for Alba-Golden ISD, I have enjoyed a close working relationship with Peoples Communications for the past six years. Since the inception of ET-Linc in 1996, Peoples Communications has provided the network infrastructure necessary to connect our consortium's schools and area colleges.

In the last decade, as technological requirements have escalated, Peoples Communications have continued to increase their network infrastructure to meet the demands of their customers. As their customers, our school districts and universities are located in a variety of rural towns and communities covering a large geographical area in East Texas. At this time, we are able to access the internet at speeds nearly consistent with our suburban neighbors at an affordable price. However, rural bandwidth is expensive and we are rapidly falling behind affordable bandwidth rates. Without the continued ability of Peoples Communications to expand their network infrastructure, our consortium will experience insurmountable difficulties encumbered by inadequate access to Tyler Junior College, our service provider for college courses. This situation could result in limited connectivity for our college dual-credit classes which would be detrimental to our student's futures and leave them unable to compete with their suburban counterparts. At this time, 45% of our graduating seniors from Alba-Golden ISD graduate with multiple dual-credit college hours that give them a definite advantage entering college. In comparison, prior to ET-Linc's conception in 1996, there were only a small number of students that graduated with any dual-credit college hours at all.

The long-term economic stability and growth of rural East Texas is dependent upon our school districts graduating students who are properly educated and are able to continue to live in this area. If NTIA decides to support Peoples Communications with stimulus funding, thereby providing the funds to expand their network infrastructure, there is no doubt that not only will our consortium continue to grow and better serve our students, but other rural school districts that are currently unable to connect to colleges and universities will be able to provide their students with similar opportunities. With this letter, ET-Linc is endorsing Peoples Communication, Inc. and their plans to deploy greater broadband access and bandwidth to our schools and communities in East Texas.

Sincerely,

Kristi Tucker

Chairperson/Fiscal Agent of ET-Linc

Dwayne Ellis

Superintendent of Alba-Golden ISD