

ITS TELECOMMUNICATIONS SYSTEMS, INC.'S RESPONSE

TO

STAFF DATA REQUEST NO. 1

- 1. Provide a copy of ITS Telecommunications Systems, Inc.'s annual financial statements for each of the previous three years (2007, 2008, and 2009) and the first quarter of 2010.

Response: Please see the enclosed documents marked "Request No. 1."

- 2. Provide a copy of Postco, Inc.'s annual financial statements for each of the previous three years (2007, 2008, and 2009) and the first quarter of 2010.

Response: Please see the enclosed documents marked "Request No. 2." These documents are the audited financial statements for Postco for 2007 and 2008. Audited financial statements of Postco are not yet available.

- 3. Provide a diagram depicting the relationship between Postco, Inc. and all its subsidiaries.

Response: Please see the enclosed document marked "Request No. 3."

As the chart shows, Postco, Inc. owns 100% of the issued and outstanding common stock of the four subsidiaries (i.e., Arrow, ITS, Indiantown and Princess Aviation). Only two of these subsidiaries (ITS and Indiantown) have any assets or operations. The other two have no assets or operations and are shells.

The Robert M. Post, Jr. Marital Trust is the owner of 100% of the issued and outstanding common stock of Postco. As part of the transaction, all but one share of the issued and outstanding stock of Postco currently owned by the trust will be redeemed and the one remaining share will be transferred to Jeff Leslie and after the closing Leslie will own 100% of the issued and outstanding stock of Postco. The change of control of ITS and Indiantown will be indirect and will occur at the parent company (Postco) level. None of the stock of ITS or Indiantown will be transferred.

COM \_\_\_\_\_  
 APA \_\_\_\_\_  
 NCR \_\_\_\_\_  
 SOL \_\_\_\_\_  
**RED** \_\_\_\_\_  
 SNT \_\_\_\_\_  
 JMM \_\_\_\_\_  
 OPC \_\_\_\_\_  
 CLK \_\_\_\_\_

The garbage operation discussed during the May 27 informal meeting was an operating division of Indiantown Company. It will be disposed of as an asset sale and the proceeds will be used will be used to fully fund both the ICO and ITS pensions (which as discussed will be terminated leaving a 401K plan for employees) to repay approximately \$100,000 worth of debts owed by the trust to ITS and ICO and to pay any taxes and or selling expenses. Almost all of the stock of bank discussed during the May 27 informal meeting is owned directly by the Trust, but a small amount is owned by ITS. If and when the bank is sold, the bank stock owned by ITS will be used in the redemption.

DOCUMENT NUMBER - DATE

04724 JUN-7 0

FPSC-COMMISSION CLERK

4. Provide a copy of all financing agreements between the USDA'S Rural Utilities Service and Postco, Inc.

Response: Please see the enclosed document marked "Request No. 4."

5. **Provide a copy of all financing agreements between the USDA'S Rural Utilities Service and ITS Telecommunications Systems, Inc.**

Response: Please see the enclosed documents marked "Request No. 5."

6. **Provide a copy of all financing agreements or debt obligations between Telephone and Data Systems, Inc. (TDS) and Postco, Inc.**

Response: Please see the enclosed documents marked "Request No. 6."

7. **Provide a copy of all financing agreements or debt obligations between TDS and ITS Telecommunications Systems, Inc.**

Response: The financing agreement with TDS is between TDS and Postco, not ITS. Please see response to Request No. 6, above.

8. **Provide documentation that demonstrates ITS Telecommunications Systems, Inc.'s capital structure (relative percentages of common equity and debt) after the transfer of controlling stock is complete.**

Response: Based on the ITS proforma statements included in the response to Request No. 10, the book equity ratio of ITS for 2010-2019 is projected to be:

Year	Total SH Equity	Total Liabilities and SH Equity	Equity Percentage
2010	[REDACTED]	[REDACTED]	[REDACTED]
2011	[REDACTED]	[REDACTED]	[REDACTED]
2012	[REDACTED]	[REDACTED]	[REDACTED]
2013	[REDACTED]	[REDACTED]	[REDACTED]

2014	[REDACTED]	[REDACTED]	[REDACTED]
2015	[REDACTED]	[REDACTED]	[REDACTED]
2016	[REDACTED]	[REDACTED]	[REDACTED]
2017	[REDACTED]	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]	[REDACTED]
2019	[REDACTED]	[REDACTED]	[REDACTED]

9. **Provide documentation that demonstrates Postco, Inc.'s capital structure (relative percentages of common equity and debt) after the transfer of controlling stock is complete.**

Response: As shown on page 20 of the documents supplied in response to Request No. 2, the consolidated equity of Postco is approximately [REDACTED] out of total liabilities and equity of approximately [REDACTED] for a book equity ratio of about [REDACTED] of December 31, 2008. The same schedule shows the equity of ITS and Indiantown Company on an unconsolidated basis, which equity will be the equity that really matters after the transaction closes.

Although the Buyer had prepared pro forma statements for ITS on a going forward basis, the Indiantown Company does not prepare similar projections in the normal course of business and did not prepare similar statements for the transaction. The Indiantown Company is subject to plenary regulation by the FPSC and the Buyer assumes that the equity of Indiantown Company will remain about where it is for the foreseeable future. As a result, the growth in the equity of Postco will be a function almost exclusively of the growth in the equity of ITS, which is explained in the response to number 8, above.

10. **Provide documentation that demonstrates ITS Telecommunications Systems, Inc.'s financial viability on a going forward basis after the transfer of control is complete, i.e., pro forma financial statements.**

Response: Please see the enclosed document entitled "Request No. 10." The enclosed proforma financial statements for ITS were prepared in 2009 from the Buyer and in the Buyer's opinion are a reasonable representation of the company's expected results on a going forward basis after the transaction closes. Buyer believes that the material assumptions and estimates used to prepare the pro forma statements continue to be reasonable. The pro forma statements reflect the reductions in pension expense and Linda Post compensation.

The 2006, 2007 and 2008 amounts shown in the statements are actual amounts. The 2009 amounts reflected in the proforma statements were estimates at the time the statements were prepared, and as discussed above, audited results for 2009 are not yet available. However,

Buyer believes that the 2009 amounts used in the statements are reasonable as a beginning point for preparing the subsequent year data in the statements.

The cash flow statement on page one shows that ITS will have the ability to make its debt payments when due, pay interest expense and maintain and increase its cash and cash equivalents from 2010 going forward. The debt test schedule show a positive trend for TIER (times interest earned) and ending cash flows.

11. **Provide documentation that demonstrates Postco Inc.'s financial viability on a going forward basis after the transfer of control is complete, i.e., pro forma financial statements.**

Response: After the transaction closes, the assets of Postco, Inc. will consist of ITS and Indiantown Company and its viability on a going forward basis will be a function of the viability of ITS and Indiantown Company. The pro forma statements for ITS have been provided in response to request number 10. Indiantown Company has not prepared pro forma statements for future years, but its viability should not be an issue, because Indiantown is subject to plenary (rate of return) regulation by the FPSC.

12. **Provide copies of Postco Inc.'s consolidated Federal Income Tax Returns for each of the previous three years (2007, 2008, and 2009).**

Response: Please see the documents enclosed as "Request No. 10." The requested returns for 2007 and 2008 are enclosed. The 2009 return has not been filed, is not due until August 15, 2010 and will not be available until then.

DOCKET NO. 100180-TL

REDACTED

ITS TELECOMMUNICATIONS SYSTEMS, INC.'S RESPONSE

TO

STAFF DATA REQUEST NO. 1

Request No. 1

ITS TELECOMMUNICATIONS SYSTEMS, INC.

Balance Sheet

December 31, 2007

	Actual	Prior Year
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
<b>CASH</b>		
Cash	[REDACTED]	[REDACTED]
Working funds	[REDACTED]	[REDACTED]
Temp. cash investments	[REDACTED]	[REDACTED]
Total Cash	[REDACTED]	[REDACTED]
<b>RECEIVABLES</b>		
Due from customers	[REDACTED]	[REDACTED]
Accounts receivable - other	[REDACTED]	[REDACTED]
Subtotal	[REDACTED]	[REDACTED]
Less: Reserve for uncollectibles	[REDACTED]	[REDACTED]
Total Receivables	[REDACTED]	[REDACTED]
<b>MATERIAL AND SUPPLIES</b>		
Materials and supplies	[REDACTED]	[REDACTED]
Total Materials and Supplies	[REDACTED]	[REDACTED]
<b>PREPAID ASSETS</b>		
Prepaid insurance	[REDACTED]	[REDACTED]
Prepaid pension expense	[REDACTED]	[REDACTED]

Prepaid broadband loan expense

[REDACTED]

[REDACTED]

Total Prepaid Assets

[REDACTED]

[REDACTED]

Total Current Assets

[REDACTED]

[REDACTED]

PROPERTY AND EQUIPMENT

Plant in service

[REDACTED]

[REDACTED]

Total Plant

[REDACTED]

[REDACTED]

Less: Accumulated depreciation

[REDACTED]

[REDACTED]

Net plant

[REDACTED]

[REDACTED]

NONCURRENT ASSETS

Notes receivable - net

[REDACTED]

[REDACTED]

Other investments

[REDACTED]

[REDACTED]

Investment FASB FMV adjustment

[REDACTED]

[REDACTED]

Non-regulated investments

[REDACTED]

[REDACTED]

Total Non-Current Assets

[REDACTED]

[REDACTED]

TOTAL ASSETS

[REDACTED]

[REDACTED]

06/02/2010

3:25pm

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES

Accounts payable  
Advance billing  
Customer deposits  
Current maturity of LTD  
Accrued income taxes  
Accrued taxes - other  
Other accrued expenses

Total Current Liabilities

LONG-TERM DEBT

Funded debt Postco  
Current Portion of LTD  
Funded debt - GSBB  
Current Portion of LTD - GSBB  
RTFC Line of Credit

Total Long-Term Debt

DEFERRED CREDITS

Deferred credits - ADT  
FASB Financial Statement adjustment

Total Deferred Credits

STOCKHOLDERS EQUITY

Capital stock  
Accum other Comprehensive Income (Loss)  
Retained earnings  
YTD profit/(loss)

Total Stockholders Equity

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY

The right side of the document is heavily redacted with black ink, covering all numerical values and text in the table columns. The redaction is complete, leaving only the text labels on the left side visible.







ITS Your Computer Guy Expenses

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ITS Long Distance Revenue

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ITS Long Distance Expenses

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INCOME BEFORE INCOME TAXES

██████████ ██████████ ██████████ ██████████ ██████████ ██████████ ██████████ ██████████

INCOME TAX EXPENSE

██████████ ██████████ ██████████ ██████████ ██████████ ██████████ ██████████ ██████████

NET INCOME

██████████ ██████████ ██████████ ██████████ ██████████ ██████████ ██████████ ██████████

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ITS TELECOMMUNICATIONS SYSTEMS, INC.  
Balance Sheet  
December 31, 2008

	Actual	Prior Year
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
<b>CASH</b>		
Cash	[REDACTED]	[REDACTED]
Temp. cash investments	[REDACTED]	[REDACTED]
Total Cash	[REDACTED]	[REDACTED]
<b>RECEIVABLES</b>		
Due from customers	[REDACTED]	[REDACTED]
Accounts receivable - other	[REDACTED]	[REDACTED]
Subtotal	[REDACTED]	[REDACTED]
Less: Reserve for uncollectibles	[REDACTED]	[REDACTED]
Total Receivables	[REDACTED]	[REDACTED]
<b>MATERIAL AND SUPPLIES</b>		
Materials and supplies	[REDACTED]	[REDACTED]
Total Materials and Supplies	[REDACTED]	[REDACTED]
<b>PREPAID ASSETS</b>		
Prepaid insurance	[REDACTED]	[REDACTED]
Prepaid pension expense	[REDACTED]	[REDACTED]
Prepaid broadband loan expense	[REDACTED]	[REDACTED]

Total Prepaid Assets	[REDACTED]	[REDACTED]
Total Current Assets	[REDACTED]	[REDACTED]
<b>PROPERTY AND EQUIPMENT</b>		
Plant in service	[REDACTED]	[REDACTED]
Plant under construction	[REDACTED]	[REDACTED]
Total Plant	[REDACTED]	[REDACTED]
Less: Accumulated depreciation	[REDACTED]	[REDACTED]
Net plant	[REDACTED]	[REDACTED]
<b>NONCURRENT ASSETS</b>		
Notes receivable - net	[REDACTED]	[REDACTED]
Other investments	[REDACTED]	[REDACTED]
Investment FASB FMV adjustment	[REDACTED]	[REDACTED]
Non-regulated investments	[REDACTED]	[REDACTED]
Total Non-Current Assets	[REDACTED]	[REDACTED]
<b>TOTAL ASSETS</b>	[REDACTED]	[REDACTED]

06/02/2010  
3:30pm

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ITS TELECOMMUNICATIONS SYSTEMS, INC.  
Balance Sheet  
December 31, 2008

Actual                      Prior Year

LIABILITIES AND STOCKHOLDERS EQUITY











INCOME BEFORE INCOME TAXES

[REDACTED]

0.26

INCOME TAX EXPENSE

[REDACTED]

(10.79)

NET INCOME

[REDACTED]

\$0.01



ITS TELECOMMUNICATIONS SYSTEMS, INC.  
 Balance Sheet  
 December 31, 2009

	Actual	Prior Year
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
<b>CASH</b>		
Cash	██████████	██████████
Temp. cash investments	██████████	██████████
Total Cash	----- ██████████	----- ██████████
<b>RECEIVABLES</b>		
Due from customers	██████████	██████████
Accounts receivable - other	██████████	██████████
Subtotal	----- ██████████	----- ██████████
Less: Reserve for uncollectibles	██████████	██████████
Total Receivables	----- ██████████	----- ██████████
<b>MATERIAL AND SUPPLIES</b>		
Materials and supplies	██████████	██████████
Total Materials and Supplies	----- ██████████	----- ██████████
<b>PREPAID ASSETS</b>		
Prepaid insurance	██████████	██████████
Prepaid security Deposit	██████████	██████████
Prepaid pension expense	██████████	██████████

Prepaid broadband loan expense

[REDACTED]

Total Prepaid Assets

[REDACTED]

Total Current Assets

[REDACTED]

PROPERTY AND EQUIPMENT

Plant in service

[REDACTED]

Plant under construction

[REDACTED]

Total Plant

[REDACTED]

Less: Accumulated depreciation

[REDACTED]

Net plant

[REDACTED]

NONCURRENT ASSETS

Notes receivable - net

[REDACTED]

Other investments

[REDACTED]

Investment FASB FMV adjustment

[REDACTED]

Non-regulated investments

[REDACTED]

Total Non-Current Assets

[REDACTED]

TOTAL ASSETS

[REDACTED]

06/02/2010

3:30pm

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ITS TELECOMMUNICATIONS SYSTEMS, INC.

Balance Sheet

December 31, 2009

Actual

Prior Year



TOTAL LIABILITIES AND STOCKHOLDERS EQUITY












ITS TELECOMMUNICATIONS SYSTEMS, INC.  
 Balance Sheet  
 March 31, 2010

	Actual	Prior Year
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
<b>CASH</b>		
Cash	[REDACTED]	[REDACTED]
Temp. cash investments	[REDACTED]	[REDACTED]
Total Cash	[REDACTED]	[REDACTED]
<b>RECEIVABLES</b>		
Due from customers	[REDACTED]	[REDACTED]
Accounts receivable - other	[REDACTED]	[REDACTED]
Subtotal	[REDACTED]	[REDACTED]
Less: Reserve for uncollectibles	[REDACTED]	[REDACTED]
Total Receivables	[REDACTED]	[REDACTED]
<b>MATERIAL AND SUPPLIES</b>		
Materials and supplies	[REDACTED]	[REDACTED]
Total Materials and Supplies	[REDACTED]	[REDACTED]
<b>PREPAID ASSETS</b>		
Prepaid insurance	[REDACTED]	[REDACTED]
Prepaid security Deposit	[REDACTED]	[REDACTED]
Prepaid pension expense	[REDACTED]	[REDACTED]
Prepaid broadband loan expense	[REDACTED]	[REDACTED]
Total Prepaid Assets	[REDACTED]	[REDACTED]
Total Current Assets	[REDACTED]	[REDACTED]
<b>PROPERTY AND EQUIPMENT</b>		
Plant in service	[REDACTED]	[REDACTED]
Plant under construction	[REDACTED]	[REDACTED]
Total Plant	[REDACTED]	[REDACTED]
Less: Accumulated depreciation	[REDACTED]	[REDACTED]
Net plant	[REDACTED]	[REDACTED]
<b>NONCURRENT ASSETS</b>		
Notes receivable - net	[REDACTED]	[REDACTED]
Other investments	[REDACTED]	[REDACTED]
Investment FASB FMV adjustment	[REDACTED]	[REDACTED]
Non-regulated investments	[REDACTED]	[REDACTED]
Total Non-Current Assets	[REDACTED]	[REDACTED]
<b>TOTAL ASSETS</b>	[REDACTED]	[REDACTED]

06/02/2010  
4:55pm

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ITS TELECOMMUNICATIONS SYSTEMS, INC.  
 Balance Sheet  
 March 31, 2010

	Actual	Prior Year
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	[REDACTED]	[REDACTED]
Advance billing	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Current maturity of LTD	[REDACTED]	[REDACTED]
Accrued income taxes	[REDACTED]	[REDACTED]
Accrued taxes - other	[REDACTED]	[REDACTED]
Other accrued expenses	[REDACTED]	[REDACTED]
Total Current Liabilities	[REDACTED]	[REDACTED]
<b>LONG-TERM DEBT</b>		
Funded debt Rus	[REDACTED]	[REDACTED]
Funded debt Postco	[REDACTED]	[REDACTED]
Current Portion of LTD	[REDACTED]	[REDACTED]
Funded debt - GSBB	[REDACTED]	[REDACTED]
Current Portion of LTD - GSBB	[REDACTED]	[REDACTED]
RTFC Line of Credit	[REDACTED]	[REDACTED]
Funded debt ICO	[REDACTED]	[REDACTED]
Total Long-Term Debt	[REDACTED]	[REDACTED]
<b>DEFERRED CREDITS</b>		
Deferred credits - ADT	[REDACTED]	[REDACTED]
FASB Financial Statement adjustment	[REDACTED]	[REDACTED]
Total Deferred Credits	[REDACTED]	[REDACTED]
<b>STOCKHOLDERS EQUITY</b>		
Capital stock	[REDACTED]	[REDACTED]
Accum other Comprehensive Income (Loss)	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]
YTD profit/(loss)	[REDACTED]	[REDACTED]
Total Stockholders Equity	[REDACTED]	[REDACTED]
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	[REDACTED]	[REDACTED]



INDIANTOWN COMPANY  
Balance Sheet  
March 31, 2010

	Actual	Prior Year
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	[REDACTED]	[REDACTED]
Accounts receivable	[REDACTED]	[REDACTED]
Less: Reserve for uncollectables	[REDACTED]	[REDACTED]
Inventory-materials and supplies	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Deferred corporate income tax	[REDACTED]	[REDACTED]
Accrued interest	[REDACTED]	[REDACTED]
	-----	-----
Total Current Assets	[REDACTED]	[REDACTED]
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment	[REDACTED]	[REDACTED]
Construction in progress	[REDACTED]	[REDACTED]
	-----	-----
Total property and equipment	[REDACTED]	[REDACTED]
Less: Accumulated depreciation	[REDACTED]	[REDACTED]
	-----	-----
Net property and equipment	[REDACTED]	[REDACTED]
<b>OTHER ASSETS</b>		
Land	[REDACTED]	[REDACTED]
Investments in affiliates	[REDACTED]	[REDACTED]
Investments available for sale	[REDACTED]	[REDACTED]
Property held for future use	[REDACTED]	[REDACTED]
Notes receivable	[REDACTED]	[REDACTED]
Less: Reserve for uncollectibles	[REDACTED]	[REDACTED]
	-----	-----
Total Other Assets	[REDACTED]	[REDACTED]
	-----	-----
Total Assets	[REDACTED]	[REDACTED]
	=====	=====

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INDIANTOWN COMPANY  
Balance Sheet  
March 31, 2010

	Actual	Prior Year
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Current maturity of long term debt	[REDACTED]	[REDACTED]
Total current liabilities	[REDACTED]	[REDACTED]
<b>LONG TERM DEBT</b>		
Long term debt	[REDACTED]	[REDACTED]
Less: current maturity of long term debt	[REDACTED]	[REDACTED]
Total Long Term Debt	[REDACTED]	[REDACTED]
<b>DEFERRED CREDITS</b>		
FASB Financial Statement Adjustment	[REDACTED]	[REDACTED]
Contributions in aid of construction	[REDACTED]	[REDACTED]
Deferred corp. income taxes	[REDACTED]	[REDACTED]
Total Deferred Credits	[REDACTED]	[REDACTED]
Less: Accumulated amortization	[REDACTED]	[REDACTED]
Net Deferred Credits	[REDACTED]	[REDACTED]
<b>STOCKHOLDERS EQUITY</b>		
Capital Stock	[REDACTED]	[REDACTED]
Additional paid in capital	[REDACTED]	[REDACTED]
Accumulated Other Comprehensive Income(Loss)	[REDACTED]	[REDACTED]
Retained earnings	[REDACTED]	[REDACTED]
YTD Profit/(Loss)	[REDACTED]	[REDACTED]
Total Stockholders Equity	[REDACTED]	[REDACTED]
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	[REDACTED]	[REDACTED]

Description	Month to Date			Percentage Variance	Year to Date			Percentage Variance
	Actual	Last Year	Variance		Actual	Last Year	Variance	
<b>OPERATING REVENUES</b>								
Sales - residential meters								
Sales - commercial meters								
Sales - public line								
Sales - private fire								
Penalties - residential								
Penalties - commercial								
Reconnection fees								
Miscellaneous sales								
Misc Sales- Returned Check Charge								
<b>OPERATING EXPENSES</b>								
Depreciation								
Amortiz. of non-taxable CIAC								
Amortiz. of taxable CIAC								
Payroll tax								
Real estate tax								
Personal property tax								
Utility assessment fee								
Misc. exp. - donations								
Labor - Supply operation								
Labor - Supply maintenance								
Labor - treatment operation								
Labor - treatment maintenance								
Labor - trans/dsl operation								
Labor - trans/dsl maintenance								
Labor - customer accounts								
Labor - administration								
Sick time								
Vacation time								
Holiday Time								
Retirement Time								
Pension and benefits								
401K Plan								
Utilities - supply								
Utilities - treatment								
Utilities - trans/dsl								
Utilities - administration								
Treatment plant - generator								
Chemicals - treatment								
Supplies - supply operation								
Supplies - supply maintenance								
Supplies - treat operation								
Supplies - treat maintenance								
Supplies - trans/dsl operation								
Supplies - trans/dsl maint								
Supplies - customer accounts								
Supplies - administration								
Engineering fees								
Accounting fees								
Outside services								
Lease fees								
Other outside services								
Management fees								
Water analysis								
Contractual services								
Rental - storage								
Rental Equipment								
Vehicle exp. - supply maint								
Vehicle exp. - treat maint								
Vehicle exp. - trans maint								
Vehicle expense								
Vehicle exp - administration								
Insurance - vehicle								
Insurance - liability								
Insurance - workmans comp								
Insurance - GSA								
Insurance - other								
Advertising								
FPSC rate case expense								
FPSC regulatory expense								
Uncollectable accounts								
Miscellaneous expenses								
Miscellaneous expenses								
<b>TOTAL OPERATING EXPENSES</b>								
<b>INCOME FROM OPERATIONS</b>								
<b>OTHER INCOME AND EXPENSE</b>								
Interest income								
Rents from water Property								
AFUDC Interest								
Non-utility income-promotional								
Non-Utility Misc. Income-Waterfield								
Non-utility Misc. Income-S Oaks								
Gain or loss on sale of equipment								
Misc. expense promotional								
Misc. Non-utility Exp-Abandonment								
Interest Long Term Debt								
Interest - customer deposits								
Income-Advanced Guar Rev-O Pines								
Income-Advanced Guar Rev-S Oaks								
Income-Advanced Guar Rev-H H								
Income-Advanced Guar Rev-Itco								
Income-Advanced Guar Rev-Porto								
Income-Advanced Guar Rev-Prinn								
Income-Advanced Guar Rev -Cenlex								
Income-Advanced Guar Rev-T&M								
Income-Advanced Guar Rev-FI Gas								
Income-Advanced Guar Rev-Bible Church								
Income-Advanced Guar Rev-Holy Cross								
Total other income and expense								
<b>INCOME BEFORE INCOME TAXES</b>								
<b>INCOME TAX EXPENSE</b>								
<b>NET INCOME</b>								





Description	Month to Date			Year to Date			Percentage Variance
	Actual	Last Year	Variance	Actual	Last Year	Variance	
<b>OPERATING REVENUES</b>							
Revenue - residential							
Revenue - commercial							
Revenue - res. special pickup							
Revenue - comm special pickup							
Revenue - recycling							
Revenue - misc sales							
Revenue - Late Fees							
Revenue - Fuel Adjustment							
<b>TOTAL OPERATING REVENUES</b>							
<b>OPERATING EXPENSES</b>							
Depreciation							
Payroll tax							
Personal property tax							
Payroll							
Payroll - recycling							
Sick time							
Vacation time							
Holiday time							
Bereavement time							
Employee benefits							
401K Plan							
Utilities							
Telephone							
Licenses and tags							
Management fees							
Franchise fee Indiantown Sanitation							
Casual Labor							
Outside service							
Accounting fees							
Legal fees							
Computer expense							
Contract Services							
Contract services							
Contract Serv -staff lEasing							
Dumping fees							
General supplies							
Office supplies							
Rent - in & out storage							
Office cleaning							
Radio tower fee							
Dues and subscriptions							
Advertising							
Postage							
Uniforms							
Truck rental							
Recycling expenses							
Automobile Expense							
Fuel							
Tires							
Repairs - parts - truck # 102							
Repairs - parts - truck # 104							
Repair - parts - truck #07							
Repair - parts - trk #08							
Repair - parts - trk #09							
Repair - parts - trk # 111							
Repair - Parts trk # 112							
Repair - Parts trk # 114							
Repair - Parts trk # 115							
Repair - Parts trk # 117							
Repair - Parts trk # 118							
Repairs - equipment							
Repairs- Parts truck #110							
Repairs - containers							
Maintenance - office equipment							
Maintenance - security system							
Repairs - tools							
Insurance							
Entertainment - W. Hannah							
Auto Exp. - W. Hannah							
Contributions							
Payroll - administration							
Uncollectable accounts							
Miscellaneous expense							
Misc. Expense - bank charges							
Misc. Vehicle repair shop exp.							
<b>TOTAL OPERATING EXPENSES</b>							
<b>INCOME FROM OPERATIONS</b>							
<b>OTHER INCOME AND EXPENSE</b>							
Interest income							
Interest expense							
Gain on sale of equipment							
Total other income and expense							
<b>INCOME BEFORE INCOME TAXES</b>							
<b>INCOME TAX EXPENSE</b>							
<b>NET INCOME</b>							

INDIANTOWN COMPANY  
 INCOME STATEMENT  
 March 31, 2010  
 Roll-Off Department

Description	Month to Date			Percentage Variance	Year to Date			Percentage Variance
	Actual	Last Year	Variance		Actual	Last Year	Variance	
<b>OPERATING REVENUES</b>								
Revenue - misc. sales								
Revenue - container pickup								
Revenue - dump fee								
Sales- Returns and Allowances								
Revenue - misc. sales								
Revenue - Late Fees								
Revenue - legal fees								
Revenue-Franchise Fee City of Stuart								
Revenue-Franchise Fee Martin County								
Revenue-Return Check Charge								
Revenue -finance charges								
<b>TOTAL OPERATING REVENUES</b>								
<b>OPERATING EXPENSES</b>								
Depreciation								
Payroll tax								
Personal property tax								
Franchise Fee City of Stuart								
Franchise fee-Martin county								
Payroll								
Sick time								
Vacation time								
Holiday time								
Employee benefits								
401K Plan								
Berevement Time								
Utilities								
Telephone								
Licenses and tags								
Management fees								
Franchise fee indian town Sanitation								
Outside service								
Accounting fees								
Legal fees								
Computer expense								
Contract Services								
Contract services								
Dumping fees								
General supplies								
Office supplies								
Sales Expenses								
Rent - in & out storage								
Office cleaning								
Radio tower fee								
Dues and subscriptions								
Advertising								
Postage								
Uniforms								
Truck Rental								
Fuel								
Tires								
Repairs - parts - truck # 2								
Repairs - parts - truck # 3								
Repairs - parts - truck # 4								
Repairs - equipment								
Repairs - containers								
Repairs security maintenance								
Maintenance - office equipment								
Maintenance - Security System								
Repairs - tools								
Insurance								
Entertainment - W. Hannah								
Auto Exp. - W. Hannah								
Contributions								
Payroll - administration								
Uncollectable Accounts								
Misc Expense - bank charges								
Misc vehicle repair shop exp.								
<b>TOTAL OPERATING EXPENSES</b>								
<b>INCOME FROM OPERATIONS</b>								
<b>OTHER INCOME AND EXPENSE</b>								
Interest income								
Interest expense								
Gain on sale of equipment								
<b>Total other income and expense</b>								
<b>INCOME BEFORE INCOME TAXES</b>								
<b>INCOME TAX EXPENSE</b>								
<b>NET INCOME</b>								

REDACTED

DOCKET NO. 100180-TL

ITS TELECOMMUNICATIONS SYSTEMS, INC.'S RESPONSE

TO

STAFF DATA REQUEST NO. 1

Request No. 2

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# **POSTCO, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**BONO, CHAZOTTE & DALLE MOLLE, P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
28 West Grand Avenue  
Montvale, NJ 07645-2100

**BONO, CHAZOTTE & DALLE MOLLE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

28 WEST GRAND AVENUE, SUITE 1 ■ MONTVALE, NEW JERSEY 07645-2100

**ACCOUNTANTS' REVIEW REPORT**

*To the Shareholder and Board of Directors  
Postco, Inc. and Subsidiaries  
Indiantown, Florida*

*We have reviewed the accompanying consolidated balance sheets of Postco, Inc. and Subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income and comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these consolidated financial statements is the representation of the management of Postco, Inc. and Subsidiaries.*

*A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit, in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.*

*Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with generally accepted accounting principles.*

*Bono, Chazotte & Dalle Molle, P. A.*

May 29, 2009

**POSTCO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**POSTCO, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents <i>(Notes 1, 2 and 3)</i>		
Receivables <i>(Notes 1, 2 and 4)</i>		
Materials and supplies		
Prepaid expenses		
<b>PROPERTY AND EQUIPMENT</b> <i>(Notes 1, 5, 8 and 15)</i>		
<b>OTHER ASSETS</b>		
Long-term investments <i>(Notes 1 and 6)</i>		
Deferred corporation income taxes <i>(Note 12)</i>		
Deferred charges <i>(Note 7)</i>		
<b>TOTAL</b>		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt <i>(Note 8)</i>		
Accounts payable and accrued expenses		
Customer deposits and advance billing		
<b>LONG - TERM DEBT</b> , less current maturities <i>(Note 8)</i>		
<b>OTHER LIABILITIES</b> <i>(Note 10)</i>		
<b>MINORITY INTEREST IN SUBSIDIARY</b> <i>(Note 13)</i>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock		
Common stock		
Other paid in capital		
Accumulated deficit		
Accumulated other comprehensive loss <i>(Note 14)</i>		
<b>TOTAL</b>	<b>\$</b>	

See accompanying notes and accountants' review report



**POSTCO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Telecommunications services		
Water and wastewater services		
Refuse services		
Management fees		
Transportation services		
OPERATING EXPENSES		
OPERATING LOSS		
OTHER INCOME (Note 20)		
MINORITY INTEREST IN SUBSIDIARY (Note 13)		
INCOME (LOSS) BEFORE INCOME TAX		
PROVISION FOR INCOME TAX		
NET INCOME (LOSS)		
OTHER COMPREHENSIVE (LOSS) (Note 14)		
COMPREHENSIVE INCOME (LOSS)	\$	

See accompanying notes and accountants' review report

POSTCO, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	5% Non-Cumulative Preferred Stock		Common stock		Other Paid - in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss)
	Number of Shares	\$ 100 par Value	Number of Shares	\$ 1 par Value			
Balance - December 31, 2006	[REDACTED]						
Net income	[REDACTED]						
Unrealized gain on securities	[REDACTED]						
Gain arising during the year	[REDACTED]						
Reclassification adjustment	[REDACTED]						
Minimum pension liability adjustment	[REDACTED]						
Balance - December 31, 2007	[REDACTED]						
Net loss	[REDACTED]						
Unrealized loss on securities	[REDACTED]						
Minimum pension liability adjustment	[REDACTED]						
Balance - December 31, 2008	[REDACTED]						

See accompanying notes and accountants' review report

**POSTCO, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$	[REDACTED]
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization, net		[REDACTED]
Deferred income taxes		[REDACTED]
Deferred revenue		[REDACTED]
Provision for uncollectible accounts		[REDACTED]
Gain on sale of investments		[REDACTED]
Gain on sale of assets		[REDACTED]
Minority interest in subsidiary		[REDACTED]
Forgiveness of Princess Aviation Group indebtedness		[REDACTED]
Decrease (increase) in current assets		
Receivables		[REDACTED]
Materials and supplies		[REDACTED]
Prepaid expenses		[REDACTED]
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses		[REDACTED]
Total adjustments		[REDACTED]
Net cash provided by operations		[REDACTED]
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments		[REDACTED]
Proceeds from sale of property and equipment		[REDACTED]
Decrease in security deposits		[REDACTED]
Purchase of investments		[REDACTED]
Purchase of property and equipment		[REDACTED]
Net cash used in investing activities		[REDACTED]
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions in aid of construction		[REDACTED]
Proceeds from long-term debt and line of credit		[REDACTED]
Decrease in customer deposits and advance billings		[REDACTED]
Principal payments on long-term debt obligations		[REDACTED]
Net cash provided by (used in) financing activities		[REDACTED]
<b>NET INCREASE (DECREASE) IN CASH</b>		[REDACTED]
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning		[REDACTED]
Ending		[REDACTED]

See accompanying notes and accountants' review report

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*This summary of the significant accounting policies of Postco, Inc. and Subsidiaries (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for the integrity and objectivity of the financial statements.*

**NATURE OF OPERATIONS**

*The Company provides regulated water, wastewater, refuse, telecommunications and internet services within Martin County, Florida.*

**ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS**

*The Company uses the allowance method for recognizing uncollectible customer revenues.*

**CASH AND CASH EQUIVALENTS**

*Cash and cash equivalents consist of cash in banks and certificates of deposit with short-term maturities and deposits in a brokerage account money market fund.*

**CASH FLOWS**

*The Company presents its statements of cash flows using the indirect method. Cash and cash equivalents consist of cash in banks, certificates of deposit with short-term maturities and deposits in a brokerage account money market fund.*

**DEFERRED INCOME TAXES**

*Deferred income taxes are provided for the temporary differences between the financial statement carrying amounts and the tax basis of the Company's assets and liabilities.*

**DEPRECIATION**

*Depreciation is computed on the remaining life and straight-line composite rates methods of depreciating for financial reporting purposes and on the Modified Accelerated Cost Recovery System (MACRS) for income tax purposes.*

**INCOME TAXES**

*The Company files consolidated Federal and State income tax returns, which include Postco, Inc., Indiantown Company, Inc., ITS Telecommunications Systems, Inc., Arrow Communications, Inc. and Princess Aviation Group, Inc.*

**INVESTMENTS**

*Investments in equity securities are classified as either trading or available for sale and are reported at their fair value with unrealized holding gains and losses reported in earnings or as a separate component of stockholder's equity, respectively.*

**MAINTENANCE AND REPAIRS**

*The cost of plant maintenance and repairs is charged to operating expenses. Major renewals and betterments are capitalized and depreciated over the expected lives of the assets.*

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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

**PRINCIPLES OF CONSOLIDATION**

The accompanying consolidated financial statements include the accounts of Postco, Inc. and all of its wholly owned and majority-owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

Postco, Inc.	- parent corporation
Indiantown Company, Inc.	- a wholly owned subsidiary corporation
ITS Telecommunications Systems, Inc.	- a wholly owned subsidiary corporation
Arrow Communications, Inc.	- a wholly owned subsidiary corporation
Princess Aviation Group, Inc.	- a majority owned subsidiary corporation

**PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost and do not represent current replacement costs. Additions to and replacements of utility plant are capitalized at cost which includes benefits and payroll taxes applicable to construction labor. The cost of utility property retired plus removal costs, less salvage is charged to accumulated depreciation.

**REGULATORY ACCOUNTING**

The company prepares its consolidated financial statements in conformity with generally accepted accounting principles applicable to rate regulated utilities. Such accounting principles are consistent with the accounting prescribed by the Federal Communications Commission ("FCC"), the Florida Public Service Commission ("FPSC") and the National Association of Regulatory Utility Commissioners ("NARUC") and are in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation". The provisions of SFAS No. 71 require, among other things, that regulated enterprises reflect rate actions of regulators in their financial statements when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset or impose a liability on a regulated enterprise. SFAS No. 71 also specifies that only the regulator can eliminate the liabilities imposed by the regulator.

**USE OF ESTIMATES**

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

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Company maintains its cash deposits at several banks located in southern Florida. Deposits at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2008 and 2007, the balances at those banks exceeded the FDIC insurance limit by approximately [REDACTED] and [REDACTED] respectively.

Financial instruments which subject the Company to concentration of credit risks consist of trade accounts receivable as substantially all customers are located in western Martin County, Florida and all Interexchange carriers are affiliated with the telecommunications industry. The Company requires security deposits from its customers. The Company maintains an allowance for uncollectible accounts receivable based upon the expected collectability of the receivables.

**NOTE 3 - RESTRICTED CASH**

At December 31, 2008 and 2007, cash in the amount of \$108,372 and \$107,810, respectively, was restricted as to use. This consists of certificates of deposit used in lieu of performance bonds and collateral for loans with the First Bank and Trust of Indiantown.

**NOTE 4 - RECEIVABLES**

Receivables consist of the following:

	<u>2008</u>	<u>2007</u>
Customers	\$ [REDACTED]	
Telephone interexchange carriers		
Related parties		
Other		
Less allowance for uncollectible accounts		

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**NOTE 5 - PROPERTY AND EQUIPMENT**

*Property and equipment consist of the following:*

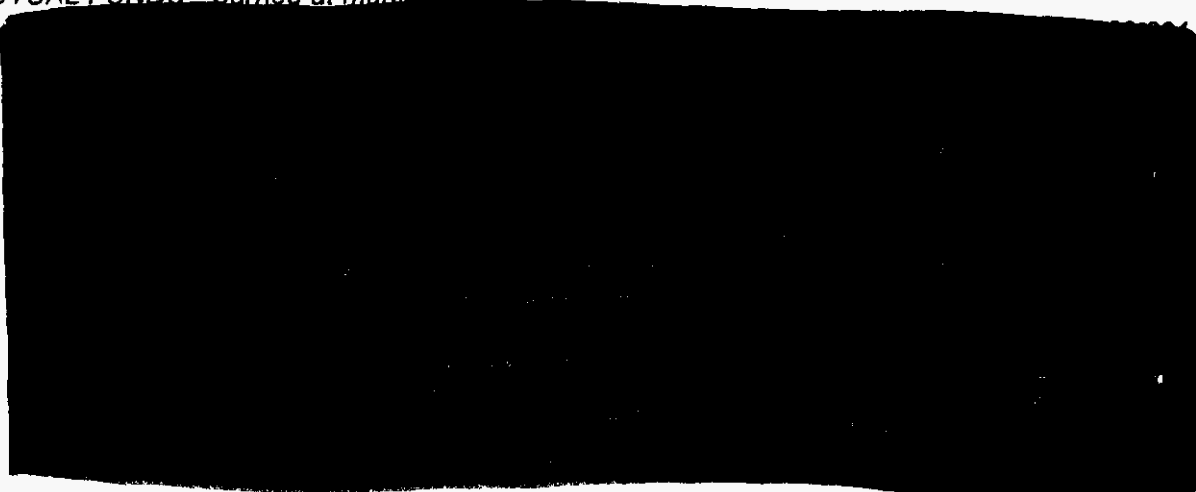
	<u>2008</u>	<u>2007</u>
<b>POSTCO, INC.</b>		
<i>Furniture and office equipment</i>		
<i>Vehicles</i>		
<i>Less accumulated depreciation</i>		
<b>INDIANTOWN COMPANY, INC.</b>		
<i>Water plant</i>		
<i>Waste water plant</i>		
<i>Refuse vehicles and equipment</i>		
<i>Administrative structures, vehicles and equipment</i>		
<i>Less accumulated depreciation</i>		
<b>ITS TELECOMMUNICATIONS SYSTEMS, INC.</b>		
<i>Land</i>		
<i>Buildings</i>		
<i>Central office equipment</i>		
<i>Poles, cable and wire</i>		
<i>Furniture and office equipment</i>		
<i>Vehicles and other equipment</i>		
<i>Station apparatus</i>		
<i>Less accumulated depreciation</i>		
<b>ARROW COMMUNICATIONS, INC.</b>		
<i>Furniture and office equipment</i>		
<i>Vehicles and other equipment</i>		
<i>Property held under capital lease</i>		
<i>Less accumulated depreciation</i>		
<b>PRINCESS AVIATION GROUP, INC.</b>		
<i>Transportation equipment</i>		
<i>Less accumulated depreciation</i>		
<i>Combined total</i>		
<i>Less consolidated valuation adjustment (Note 15)</i>		
<i>Consolidated total</i>		

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

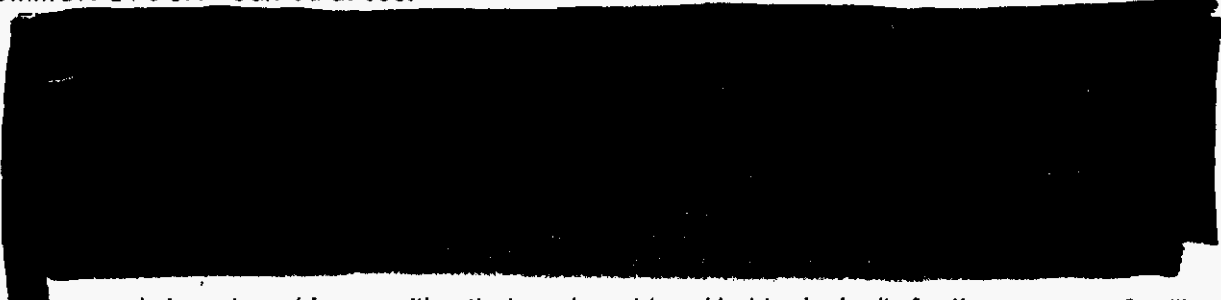
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**NOTE 6 - LONG-TERM INVESTMENTS**

<i>Available-for-sale</i>	<u>2008</u>	<u>2007</u>
<i>MUTUAL FUNDS - Carried at market value</i>		



*COMMON STOCK - Carried at cost*



*The company's investment in securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets, with the change in fair value during the period included in earnings*

*Investments in securities that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and recorded at amortized cost in investments and other assets.*

*Investments in securities not classified as either held-to-maturity or trading securities are classified as available-for-sale securities. Available-for-sale securities are recorded at fair value in investments on the balance sheet, with the change in fair value during the period excluded from earnings and recorded net of tax as a component of other comprehensive income.*



**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 7 - DEFERRED CHARGES**

Deferred charges consist of the following:

	<u>2008</u>	<u>2007</u>
Utility rate case costs	[REDACTED]	[REDACTED]
Loan acquisition costs	[REDACTED]	[REDACTED]
Other	[REDACTED]	[REDACTED]
Customer accounts	[REDACTED]	[REDACTED]
Covenant not to compete	[REDACTED]	[REDACTED]
Less accumulated amortization	[REDACTED]	[REDACTED]

**NOTE 8 - LONG-TERM DEBT**

Long-term debt consists of the following:

**GULFSTREAM BUSINESS BANK**

[REDACTED] note due [REDACTED] per month, including interest through [REDACTED] collateralized by a refuse truck.	[REDACTED]	[REDACTED]
[REDACTED] note due [REDACTED] per month, including interest through [REDACTED] collateralized by a refuse truck.	[REDACTED]	[REDACTED]
[REDACTED] note due [REDACTED] per month, including interest through [REDACTED] collateralized by transportation equipment.	[REDACTED]	[REDACTED]
[REDACTED] note due [REDACTED] per month, including interest through [REDACTED] collateralized by the assets of ITS Telecommunications Systems, Inc.	[REDACTED]	[REDACTED]
[REDACTED] note due [REDACTED] per month, including interest through [REDACTED]. The outstanding balance is due on [REDACTED]. Collateralized by the assets of Indiantown Company, Inc.	[REDACTED]	[REDACTED]
[REDACTED] note due [REDACTED] per month, including interest through [REDACTED]. Collateralized by transportation equipment.	[REDACTED]	[REDACTED]
[REDACTED] note due [REDACTED] per month, including interest through [REDACTED]. Collateralized by a refuse truck.	[REDACTED]	[REDACTED]
[REDACTED] note due [REDACTED] per month, including interest through [REDACTED]. Collateralized by a refuse truck.	[REDACTED]	[REDACTED]

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**NOTE 8 - LONG-TERM DEBT (Continued)**

	<u>2008</u>	<u>2007</u>
<p>[REDACTED] unsecured note payable.</p>	-	[REDACTED]

<p>[REDACTED] line of credit - Interest of [REDACTED] is payable quarterly. The outstanding balance is [REDACTED]. Collateralized by the assets of ITS Telecommunications Systems, Inc. (See note 9)</p>	[REDACTED]	[REDACTED]
--	------------	------------

**UNITED STATES CELLULAR CORPORATION**

[REDACTED] note payable as follows:  
 [REDACTED] per month, in [REDACTED]  
 [REDACTED] per month, [REDACTED]

The outstanding balance is due on [REDACTED]  
 Collateralized by the outstanding common stock of Postco, Inc. and ITS Telecommunications Systems, Inc.

Less current maturities

	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]

Maturates of long-term debt are as follows:

- 2009
- 2010
- 2011
- 2012
- 2013

	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**NOTE 9 - LINE OF CREDIT**

ITS Telecommunications Systems, Inc. renewed the one year, [REDACTED] revolving line of credit from the Rural Telephone Finance Cooperative (RTFC). Interest is calculated at [REDACTED] above the Wall Street Journal "Prevailing Bank Prime Rate" and is payable quarterly. The obligation is secured by the company's assets. The outstanding balance is currently due on [REDACTED]

**NOTE 10 - OTHER LIABILITIES**

Other liabilities consist of the following:

	<u>2008</u>	<u>2007</u>
Contributions in aid of construction	[REDACTED]	[REDACTED]
Deferred income taxes (See note 12)	[REDACTED]	[REDACTED]
Minimum pension liability	[REDACTED]	[REDACTED]

**NOTE 11- CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC)**

Indiantown Company, Inc. has received payments from water and wastewater customers, under the terms of the Florida Public Service Commission (FPSC) approved tariff, which are utilized to offset the acquisition, improvement, and construction cost of the utility's property, plant and equipment used to provide water and wastewater service to the public. The contributions in aid of construction are amortized over the estimated useful lives of the assets purchased with the CIAC funds. The 2008 and 2007 amortization of CIAC in the amount of \$170,551 and \$151,484 was recorded as a reduction of depreciation expense in accordance with current FPSC regulations.

**NOTE 12 - DEFERRED INCOME TAXES**

The Financial Accounting Standards Board (FASB) issued SFAS No. 109, Accounting for Income Taxes. SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in a company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

The deferred tax assets and deferred tax liabilities are comprised of the following:

	<u>2008</u>	<u>2007</u>
Deferred tax assets		
Receivables	[REDACTED]	[REDACTED]
Deferred intrastate telephone revenues	[REDACTED]	[REDACTED]
Contributions in aid of construction	[REDACTED]	[REDACTED]
Deferred tax liabilities		
Adjusted tax basis of property and equipment	[REDACTED]	[REDACTED]
Accelerated tax basis depreciation	[REDACTED]	[REDACTED]

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 12 - DEFERRED INCOME TAXES (Continued)**

The components of income tax expense are as follows:

	<u>2008</u>	<u>2007</u>
Federal:		
Current	\$ -	[REDACTED]
Deferred	[REDACTED]	[REDACTED]
State:		
Current	[REDACTED]	[REDACTED]
Deferred	[REDACTED]	[REDACTED]

**NOTE 13 - MINORITY INTEREST**

In 1999, Postco, Inc. paid [REDACTED] to acquire [REDACTED] of the outstanding common stock of Princess Aviation Group, Inc. In accordance with Accounting Research Bulletin 51, the cumulative losses applicable to the minority interest were charged against the majority interest, as there was no obligation of the minority interest to make good on such losses.

**NOTE 14 - ACCUMULATED OTHER COMPREHENSIVE INCOME OR LOSS**

Following is a summary of accumulated other comprehensive income or loss.

	<u>Minimum Pension Liability Adjustment</u>	<u>Unrealized Gain or (Loss) on securities</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>
Balance - December 31, 2006	[REDACTED]	[REDACTED]	[REDACTED]
Unrealized gain on securities	[REDACTED]	[REDACTED]	[REDACTED]
Reclassification adjustment	[REDACTED]	[REDACTED]	[REDACTED]
Minimum pension liability adjustment	[REDACTED]	[REDACTED]	[REDACTED]
Less income tax benefits	[REDACTED]	[REDACTED]	[REDACTED]
Balance - December 31, 2007	[REDACTED]	[REDACTED]	[REDACTED]
Unrealized loss on securities	[REDACTED]	[REDACTED]	[REDACTED]
Minimum pension liability adjustment	[REDACTED]	[REDACTED]	[REDACTED]
Less income tax benefits	[REDACTED]	[REDACTED]	[REDACTED]
Balance - December 31, 2008	[REDACTED]	[REDACTED]	[REDACTED]

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**NOTE 15 - CONSOLIDATED VALUATION ADJUSTMENT**

Accounting Principles Board (APB) opinion No. 16 and Financial Accounting Standards Board (FASB) SAFS No. 94 require that the excess of the fair value of net assets received in a purchase business combination over the fair value of the consideration paid be allocated proportionately to reduce noncurrent assets except marketable securities. The combined net book value (assets less liabilities) of Indiantown Company, Inc., ITS Telecommunications Systems, Inc. and Arrow Communications, Inc. at January 7, 1998 was approximately [REDACTED] greater than the consideration paid by Postco, Inc. on that date for all of the outstanding common stock of the three corporations. The accompanying consolidated financial statements reflect this difference as a reduction of consolidated property and equipment which is currently being amortized on the straight line method over 20 years.

**NOTE 16 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

The following are supplemental disclosures of cash flow information:

	<u>2008</u>	<u>2007</u>
Cash paid during the year for:		
Interest	[REDACTED]	[REDACTED]
Income taxes	[REDACTED]	[REDACTED]

**NOTE 17- SAVINGS PLAN**

The Company sponsors a 401(k) savings plan under which eligible employees may choose to save up to 15% of salary income on a pre-tax basis, subject to certain IRS limits. The Company matches 10% of the employee contribution. The 2008 and 2007 compensation expense for the 401(k) match was [REDACTED] and [REDACTED], respectively.

**NOTE 18 - OPERATING LEASES**

Indiantown Company, Inc. currently leases land in Indiantown, Florida from the Estate of Robert M. Post, Jr. (The sole stockholder of Postco, Inc.). The lease is classified as an operating lease and provides for annual rentals of [REDACTED]. The property is presently used as a part of the Indiantown Company, Inc. wastewater treatment plant.

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**NOTE 19 - PENSION PLAN**

The Company participates in a non-contributory pension plan covering substantially all the employees of Postco, Inc. and Subsidiaries.

Postco, Inc.	- parent corporation
Indiantown Company, Inc.	- a wholly owned subsidiary corporation
ITS Telecommunications Systems, Inc.	- a wholly owned subsidiary corporation
Arrow Communications, Inc.	- a wholly owned subsidiary corporation
Princess Aviation Group, Inc.	- a majority owned subsidiary corporation

The following table sets forth the funded status of the plan:

	<u>2008</u>	<u>2007</u>
Fair value of plan assets		
Beginning of the year	[REDACTED]	[REDACTED]
Employer contributions	[REDACTED]	[REDACTED]
Actual return on plan assets	[REDACTED]	[REDACTED]
Benefits paid	[REDACTED]	[REDACTED]
End of year	[REDACTED]	[REDACTED]
Accrued pension cost	[REDACTED]	[REDACTED]
Minimum pension liability adjustment	[REDACTED]	[REDACTED]
Projected accumulated benefit obligation	[REDACTED]	[REDACTED]
 Net periodic pension cost	[REDACTED]	[REDACTED]
 Weighted average assumptions:		
Discount rate	[REDACTED]	[REDACTED]
Expected return on plan assets	[REDACTED]	[REDACTED]
Rate of compensation increase	[REDACTED]	[REDACTED]

**NOTE 20 - OTHER INCOME**

Other income consists of the following:

	<u>2008</u>	<u>2007</u>
Dividends	[REDACTED]	[REDACTED]
Interest	[REDACTED]	[REDACTED]
Reimbursement of utility administrative expenses	[REDACTED]	[REDACTED]
Miscellaneous revenues	[REDACTED]	[REDACTED]
Realized gain on sale of investments	[REDACTED]	[REDACTED]
Forgiveness of Princess Aviation Group indebtedness	[REDACTED]	[REDACTED]
Gain (loss) on sale of equipment	[REDACTED]	[REDACTED]

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**NOTE 21 - RELATED PARTY TRANSACTIONS**

**FIRST BANK AND TRUST OF INDIANTOWN**

Prior to his death in 2007, the President of Postco, Inc., Indiantown Company, Inc., ITS Telecommunications Systems, Inc., Arrow Communications, Inc. and Princess Aviation Group, Inc. was a stockholder and chairman of the Board of the First Bank and Trust of Indiantown. The Company had the following relationship with the First Bank and Trust of Indiantown at December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Deposits	████████████████████	████████████████████
Investment in ██████████ of Indiantown common stock	████████████████████	████████████████████

**ROBERT M. POST, JR., LLC**

In 2007, Indiantown Company, Inc paid ██████████ to Robert M. Post, JR. LLC to acquire land to be used as part of the Indiantown Company, Inc wastewater treatment plant. At the time of the sale, the President of Postco, Inc., Indiantown Company, Inc., ITS Telecommunications Systems, Inc., Arrow Communications, Inc. and Princess Aviation Group, Inc. was the principal owner of Robert M. Post, JR, LLC.

**ROBERT M. POST, JR. MARITAL TRUST**

Indiantown Company, Inc. currently leases land in Indiantown, Florida from the Robert M. Post, Jr. Marital Trust (The sole stockholder of Postco, Inc.). The lease is classified as an operating lease and provides for annual rentals of ██████████. The property is presently used as a part of the Indiantown Company, Inc. wastewater treatment plant.

**NOTE 22 - COMMITMENTS AND CONTINGENCIES**

The earnings of Indiantown Company, Inc. are subject to review by the Florida Public Service Commission (FPSC) for compliance with allowable rates of return. As of the date of this report, the FPSC has not ruled if the Company's 2008 earnings exceeded its maximum authorized return on equity.

**NOTE 23 - UNUSED OPERATING LOSS CARRYFORWARDS**

The Company has approximately ██████████ of unused operating losses at December 31, 2008. These losses may be applied against future taxable income and will begin to expire in 2016.

**POSTCO, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**NOTE 24 - SIGNIFICANT EVENTS**

**ROBERT M. POST, JR.**

*Robert M. Post, Jr., the president and sole stockholder of Postco, Inc. and Subsidiaries, died on July 30, 2007. The ownership of the company was subsequently transferred to the Robert M. Post, Jr. Marital Trust.*

**ITS TELECOMMUNICATIONS SYSTEMS, INC.**

*The telephone digital electronic central office switching equipment was replaced in 2006. The [REDACTED] net book value of the old equipment was amortized over a twenty four month period which commenced January 1, 2006.*

**ITS TELECOMMUNICATIONS SYSTEMS, INC.**

*On July 24, 2006, ITS Telecommunications Systems, Inc. applied for a [REDACTED] Rural Broadband Access loan from the United States Department of Agriculture, Rural Utilities Service (RUS). The proceeds of the loan will be used to purchase network access equipment, outside plant facilities, customer premise equipment and other operating equipment.*

**ARROW COMMUNICATIONS, INC.**

*In 2008, Arrow Communications, Inc transferred the interstate and intrastate toll portion of its business to ITS Telecommunications Systems, Inc. The company will continue to sell and service residential and commercial telephone equipment.*

**PRINCESS AVIATION GROUP**

*Princess Aviation Group terminated operations in 2007 and sold the corporate assets in 2007 and 2008.*



**BONO, CHAZOTTE & DALLE MOLLE, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

28 WEST GRAND AVENUE, SUITE 1 ■ MONTVALE, NEW JERSEY 07645-2100

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**ACCOUNTANTS' REVIEW REPORT ON SUPPLEMENTARY INFORMATION**

*To the Shareholder and Board of Directors  
Postco, Inc. and Subsidiaries  
Indiantown, Florida*

*Our report on our review of the basic consolidated financial statements of Postco, Inc. and Subsidiaries for the years ended December 31, 2008 and 2007 appears on page 1. That review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the consolidated financial statements in order for them to be in conformity with generally accepted accounting principles. The accompanying supplementary information contained on pages 20 - 22 is presented for purposes of additional analysis and has been subjected to the same inquiries and analytical procedures applied in the review of the basic financial statements. All information contained therein is the representation of the management of Postco, Inc. and Subsidiaries. We did not become aware of any material modification that should be made to this supplementary information.*

*Bono, Chazotte & Dalle Molle, P.A.*

May 29, 2009

**SUPPLEMENTARY INFORMATION**

POSTCO, INC. AND SUBSIDIARIES  
 SUPPLEMENTARY INFORMATION  
 CONSOLIDATING BALANCE SHEET  
 DECEMBER 31, 2008

	Consolidated Total	Eliminations	Postco	Indiantown Company	ITS Telecommunications Systems	Arrow Communications	Princess Aviation Group
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Receivables	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Materials and supplies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Current portion of note receivable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>PROPERTY AND EQUIPMENT</b>							
<b>OTHER ASSETS</b>							
Long-term investments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Notes receivable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred corporation income taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred charges	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>TOTAL</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>							
<b>CURRENT LIABILITIES</b>							
Current portion of long-term debt	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accounts payable and accrued expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred revenues	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Customer deposits and advance billing	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>LONG - TERM DEBT</b>							
<b>OTHER LIABILITIES</b>							
Contributions in aid of construction	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred corporation income taxes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Minimum pension liability	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>MINORITY INTEREST IN SUBSIDIARY</b>							
<b>STOCKHOLDERS' EQUITY</b>							
Preferred stock	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Common stock	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other paid in capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accumulated earnings (deficit)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accumulated other comprehensive loss	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>TOTAL</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

See accompanying accountants' report on supplementary information.

POSTCO, INC. AND SUBSIDIARIES  
 SUPPLEMENTARY INFORMATION  
 CONSOLIDATING STATEMENT OF INCOME AND ACCUMULATED DEFICIT  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Consolidated Total	Elimination's	Postco	Indiantown Company	ITS Telecommunications Systems	Arrow Communications	Princess Aviation Group
OPERATING REVENUES							
Telecommunications services							
Water and Wastewater services							
Refuse services							
Transportation services							
Management fees							
OPERATING EXPENSES							
OPERATING INCOME (LOSS)							
OTHER INCOME							
MINORITY INTEREST IN SUBSIDIARY							
INCOME (LOSS) BEFORE INCOME TAXES							
PROVISION FOR INCOME TAXES							
NET INCOME (LOSS)							
ACCUMULATED DEFICIT							
Beginning							
Ending							

See accompanying accountants' report on supplementary information

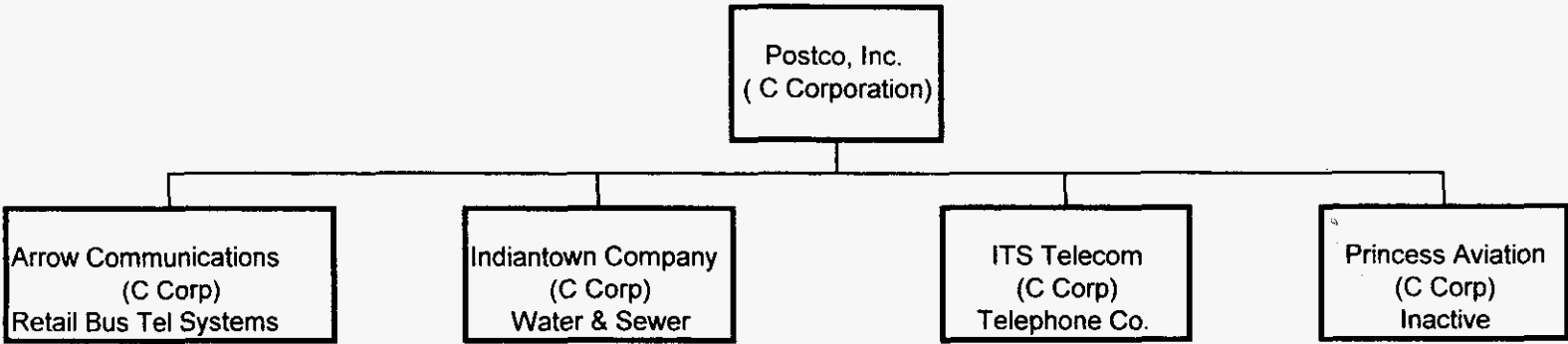
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**POSTCO, INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY INFORMATION**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	Consolidated Total	Elimination's	Postco	Indiantown Company	ITS Telecommunications Systems	Arrow Communications	Princess Aviation Group
<b>Current asset / current liability elimination entry</b>							
Worksheet reflects intercompany loans and advances							
Worksheet may not include all intercompany A/R and A/P							
December 31, 2008							
December 31, 2007							
2008 change							
<b>Depreciation and amortization, net</b>							
Depreciation							
Property and equipment							
Regulatory adjustments							
Amortization							
Deferred revenue (accumulated depreciation)							
Contributions in aid of construction							
Deferred rate case expenses							
Deferred loan costs							
Intangibles							
Rounding							
<b>Provision for uncollectible accounts</b>							
Allowance - December 31, 2007							
Add current year provision for bad debts							
Less current year write off							
Add current year recoveries							
Allowance - December 31, 2008							
Current year							
<b>Gain on sale of investments</b>							
Proceeds from sale of investments							
Less cost							
Gain (loss)							
<b>Gain on sale of property and equipment</b>							
Proceeds from sale of property and equipment							
Less cost							
Add accumulated depreciation							
Gain (loss)							

**DOCKET NO. 100180-TL**  
**ITS TELECOMMUNICATIONS SYSTEMS, INC.'S RESPONSE**  
**TO**  
**STAFF DATA REQUEST NO. 1**

Request No. 3

**ITS Telecommunications Systems, Inc.**  
**Diagram of Postco, Inc. Relationship with Subsidiaries**



**DOCKET NO. 100180-TL**  
**ITS TELECOMMUNICATIONS SYSTEMS, INC.'S RESPONSE**  
**TO**  
**STAFF DATA REQUEST NO. 1**

Request No. 4



## **AGREEMENT CONCERNING INDEBTEDNESS**

**THIS AGREEMENT CONCERNING INDEBTEDNESS** is made as of the 21<sup>st</sup> day of January, 2009 between Postco, Inc., a Florida corporation (the "Creditor"), ITS Telecommunications Systems, Inc., a Florida corporation (the "Debtor") and the UNITED STATES OF AMERICA acting through the Administrator of the Rural Utilities Services (the "RUS");

### **WITNESSETH:**

**WHEREAS**, the Debtor is a wholly owned subsidiary of the Creditor; and

**WHEREAS**, the Debtor is indebted to the Creditor for certain long term debt representing loans to the Debtor; and

**WHEREAS**, the Debtor is obtaining financing through the United States of America, acting through the RUS in the amount of \$8,136,000 (the "RUS Loan"); and

**WHEREAS**, the RUS is requiring as a condition to the RUS Loan that no payments be made by the Debtor to the Creditor on its long term loan obligations while the RUS Loan is outstanding, without the prior written consent of the RUS; and

**WHEREAS**, the Creditor heretofore made loans to the Debtor as represented by the promissory note attached hereto as Exhibit A (the "Promissory Note"); and

**WHEREAS**, the Creditor repays the Promissory Note in accordance with the amortization schedule attached hereto as Exhibit B; and

**WHEREAS**, the parties desire to specifically recognize the Debtor's payment of the Promissory Note as an exception to the Debtor's agreement to not make payments on its long term indebtedness to Creditor during the term of the RUS Loan;

**NOW**, therefore the parties hereto agree as follows:

1. Except for payment of the Promissory Note in accordance with the amortization schedule attached hereto as Exhibit B, without the prior written consent of the RUS, Debtor shall not pay to Creditor, and Creditor shall not accept from Debtor, payments on any long term indebtedness owed to Creditor by Debtor until the RUS Loan is paid in full. RUS specifically approves the payment of the Promissory Note in accordance with the payment schedule described therein, but does not approve any early prepayments of the indebtedness represented by the Promissory Note. Any other payments on long term

indebtedness between the Creditor and the Debtor while any portion of the RUS Loan is outstanding shall require the prior written consent of RUS.

2. Creditor and Debtor understand and acknowledge that the RUS is making the Loan to Debtor in reliance on this Agreement.
  3. This Agreement shall be construed in accordance with the laws of the State of Florida. The parties hereby agree to submit to the exclusive jurisdiction of the Seventeenth Judicial Circuit of the State of Florida in connection with all matters arising out of or relating to, this Agreement. Both parties waive trial by jury.
  4. In the event that there is any litigation relating to, or arising out of this Agreement, the prevailing party shall be entitled to recover all costs incurred therein, including reasonable attorney's fees, at all levels of proceedings, including appeals, collections and bankruptcy.
  5. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.
  6. All provisions of this Agreement have been negotiated by both parties at arm's length and neither party shall be deemed the scrivener of this Agreement. This Agreement shall not be construed for or against either party by reason of the preparation hereof.
  7. No waiver of any covenant or condition or of the breach of any covenant or condition of the Agreement shall be taken to constitute a waiver of any subsequent breach of such covenant or condition nor to justify or authorize the nonobservance on any other occasion of the same or of any other covenant or condition hereof. No waiver or indulgence granted by a party hereunder shall be taken as an estoppel against such party. If at any time, either party is in default hereunder, an acceptance or payment, as the case may be, by such party during the continuance of such default or the failure on the part of such party promptly to avail itself of such other rights or remedies as such party may have shall not be construed as a waiver of such default, but such party may at any time thereafter pursue its rights and remedies hereunder.
  8. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.
  9. No modification or amendment of this Agreement shall be binding upon the parties unless the same is (i) in writing and signed by the party to be bound and (ii) approved in writing by RUS.
  10. The rights and obligations under this Agreement shall not be assignable without the prior written consent of the RUS, which may be withheld in their absolute discretion.
-

11. This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes all prior agreements or understandings made in connection with the subject matter.
12. RUS shall be a third party beneficiary of this Agreement and shall have the right to seek compliance with this Agreement by the Creditor and/or Debtor in a court of law.

WITNESSETH the following signatures and seals

ITS Telecommunications Systems, Inc.,  
a Florida corporation

By: Linda M. Post  
~~Jeffrey S. Leslie, President~~  
Linda M. Post, Vice President

Postco, Inc.,  
a Florida corporation

By: Linda M. Post  
Linda M. Post, President

UNITED STATES OF AMERICA

By: James R. Brantley  
Administrator, Rural Utilities  
Services

# Exhibit A

## PROMISSORY NOTE

\$3,860,254.28

JANUARY 7, 1998

FOR VALUE RECEIVED, the undersigned promises to pay to the order of POSTCO, INC., or assigns, the sum of THREE MILLION EIGHT HUNDRED SIXTY THOUSAND TWO HUNDRED FIFTY FOUR AND 28/100 DOLLARS (\$3,860,254.28), bearing an interest rate of 5.97% percent.

Commencing January 31, 1998, and monthly thereafter, the sum of \$24,875.00 shall be paid.

Commencing January 31, 1003, and monthly thereafter, the sum of \$31,964.24 shall be paid to January 1, 2012.

On January 7, 2013, the balance of principal and accrued interest shall be due.

There shall be no penalty for partial or entire prepayment.

The makers, endorsers and guarantors of this Note hereby waive presentment for payment, demand notice of non-payment and dishonor, protest, and notice of protest; waive trial by jury in any action or proceeding arising on, out of, under or by reason of this Note; consent to any renewals, extensions and partial payments of this Note or the indebtedness for which it is given without notice to them, and consent that no such renewals, extensions or partial payments shall discharge any party hereto from liability hereon in whole or in part. If a petition under any provision of the Bankruptcy Act or any other insolvency statute for any relief thereunder shall be filed by or against any maker, endorser or guarantor hereof, then this Note and all other existing obligations of every kind of each maker or endorser hereof to the holder hereof shall become immediately due and payable.

percent (20%) of the balance then due under this Note, which is hereby agreed to be just and reasonable and which shall be added to the amount due under this Note and recoverable with the amount due under this Note. If any endorser or guarantor of this Note shall pay the amount of the same to the holder thereof at maturity and thereafter shall place the same with an attorney for collection, against the maker, makers, prior endorsers, guarantors or any of them, then they agree to pay to said endorser or guarantor all costs of collection, including an attorney's fee of twenty percent (20%) which is hereby agreed to be just and reasonable and which shall be added to the amount due under this Note and recoverable with the amount on this Note. Interest on this Note after maturity shall be due and payable at the rate of two percent (2%) per month.

INDIANTOWN TELEPHONE SYSTEM, INC.

BY:   
President

# Exhibit B

ITS Telecommunications  
Amortization Schedule  
Funded Debt - PostCo.

Annual Interest Rate 5.97%  
Balance as of 5/31/98 3,809,050.58

8220-0002-01  
8220-01  
1440 0001-01  
1440-01

	Date	Payment	Interest	Principle	Balance	
<u>DEPOSITED</u>	May 31, 1998				3,809,050.58	
Pd 7/1/98	June 30, 1998	24,875.00	18,690.44	6,164.56	3,802,866.02	
Pd 7/27/98	July 31, 1998	24,875.00	19,282.09	5,592.91	3,797,273.11	
Pd 7/27/98	August 31, 1998	24,875.00	19,253.74	5,621.26	3,791,651.85	
	September 30, 1998	24,875.00	18,605.08	6,269.94	3,785,381.91	
	October 31, 1998	24,875.00	19,193.44	5,681.56	3,779,700.35	
	November 30, 1998	24,875.00	18,546.42	6,328.58	3,773,371.77	
	December 31, 1998	24,875.00	19,132.55	5,742.45	3,767,629.32	
	January 31, 1999	24,875.00	19,103.43	5,771.57	3,761,857.75	
	February 28, 1999	24,875.00	17,228.28	7,646.72	3,754,211.03	
	March 31, 1999	24,875.00	19,035.39	5,839.61	3,748,371.42	
	April 30, 1999	24,875.00	18,392.69	6,482.31	3,741,889.11	
	May 31, 1999	24,875.00	18,972.92	5,902.08	3,735,987.03	
	June 30, 1999	24,875.00	18,331.93	6,543.07	3,729,443.96	
	July 31, 1999	24,875.00	18,909.81	5,965.19	3,723,478.77	
	August 31, 1999	24,875.00	18,879.57	5,995.43	3,717,483.34	
	September 30, 1999	24,875.00	18,241.13	6,633.87	3,710,849.47	
	October 31, 1999	24,875.00	18,815.53	6,069.47	3,704,790.00	
	November 30, 1999	24,875.00	18,178.85	6,696.15	3,698,093.85	
	December 31, 1999	24,875.00	18,750.88	6,124.14	3,691,969.71	
Pd 1-20-00	January 31, 2000	24,875.00	18,668.68	6,206.34	3,685,763.37	
Pd 2/21/00	February 29, 2000	24,875.00	17,434.87	7,440.13	3,678,323.24	
Pd 3/19/00	March 31, 2000	24,875.00	18,599.65	6,275.35	3,672,047.89	
Pd 4/14/00	April 30, 2000	24,875.00	17,968.96	6,906.04	3,665,141.85	
Pd 5/5/00	May 31, 2000	24,875.00	18,533.00	6,342.00	3,658,799.85	
Pd 6/6/00	June 30, 2000	24,875.00	17,904.13	6,970.87	3,651,828.98	
Pd 7/19/00	July 31, 2000	24,875.00	18,465.69	6,409.32	3,645,419.66	CK3593
Pd 8-15-00	August 31, 2000	24,875.00	18,433.27	6,441.73	3,638,977.93	3718
Pd 9-15-00	September 30, 2000	24,875.00	17,807.13	7,067.87	3,631,910.06	3859
Pd 10/17/00	October 31, 2000	24,875.00	18,364.96	6,510.04	3,625,400.02	3987
Pd 11/11/00	November 30, 2000	24,875.00	17,740.69	7,134.31	3,618,265.71	5107
Pd 11/19	December 31, 2000	24,875.00	18,295.97	6,579.03	3,611,686.68	5255
Pd 1/15/01	January 31, 2001	24,875.00	18,312.74	6,562.26	3,605,124.42	5368
Pd 2/20/01	February 28, 2001	24,875.00	18,610.48	6,264.52	3,598,769.90	5510
Pd 3/19/01	March 31, 2001	24,875.00	18,237.05	6,637.95	3,590,121.95	5622
Pd 4/16/01	April 30, 2001	24,875.00	17,618.19	7,256.81	3,582,863.14	5765
Pd 5/15/01	May 31, 2001	24,875.00	18,168.59	6,708.41	3,576,154.73	5910
Pd 6-19-01	June 30, 2001	24,875.00	17,547.85	7,327.35	3,568,827.38	6063
Pd 7-17-01	July 31, 2001	24,875.00	18,085.42	6,779.58	3,562,047.80	6194
Pd 8-8-01	August 31, 2001	24,875.00	18,061.05	6,813.95	3,555,233.85	6307

ITS Telecommunications  
Amortization Schedule  
Funded Debt - PostCo.

Annual Interest Rate 5.97%  
Balance as of 5/31/98 3,809,050.58

8220.000001  
Income  
1440.0001-01

DATE MM/DD/YY	Date	Payment	Interest	Principle	Balance	CK #
10/15/01	September 30, 2001	24,875.00	17,445.00	7,430.00	3,547,803.85	6480
11-9-01	October 31, 2001	24,875.00	17,988.82	8,886.18	3,540,917.67	6617
12-17-01	November 30, 2001	24,875.00	17,374.75	7,500.25	3,533,417.42	6770
1-16-02	December 31, 2001	24,875.00	17,915.88	6,959.12	3,526,458.30	6918
2-14-02	January 31, 2002	24,875.00	17,880.59	6,994.41	3,519,463.89	7060
3-13-02	February 28, 2002	24,875.00	16,118.18	8,756.82	3,510,707.07	7200
4-15-02	March 31, 2002	24,875.00	17,800.73	7,074.27	3,503,632.80	7314
5-13-02	April 30, 2002	24,875.00	17,191.80	7,683.20	3,496,949.60	7436
6-2-02	May 31, 2002	24,875.00	17,725.90	7,149.10	3,488,800.50	7612
7-9-02	June 30, 2002	24,875.00	17,119.02	7,755.98	3,481,044.52	7720
8-16-02	July 31, 2002	24,875.00	17,650.33	7,224.67	3,473,819.85	7844
9-17-02	August 31, 2002	24,875.00	17,613.69	7,261.31	3,466,558.54	7998
11-28-02	September 30, 2002	24,875.00	17,009.88	7,855.12	3,458,693.42	8140
11-21-02	October 31, 2002	24,875.00	17,537.00	7,338.00	3,451,355.42	8432 8407
12-16-02	November 30, 2002	24,875.00	16,935.28	7,939.72	3,443,415.70	8432
1-16-03	December 31, 2002	24,875.00	17,459.53	7,415.47	3,436,000.23	8522
2-18-03	January 31, 2003	31,964.24	17,421.93	14,542.31	3,421,457.92	8670
3-12-03	February 28, 2003	31,964.24	15,669.34	16,294.90	3,405,163.02	8794
4-9-03	March 31, 2003	31,964.24	17,285.58	14,698.66	3,390,464.36	8919
5-5-03	April 30, 2003	31,964.24	16,636.50	15,327.74	3,375,136.62	9043
6-4-03	May 31, 2003	31,964.24	17,113.33	14,850.91	3,360,285.71	9125
7-7-03	June 30, 2003	31,964.24	16,488.42	15,475.82	3,344,809.89	9434
8-7-03	July 31, 2003	31,964.24	16,959.66	15,004.68	3,329,805.21	9599
9-10-03	August 31, 2003	31,964.24	16,883.48	15,080.76	3,314,724.45	9740
10-20-03	September 30, 2003	31,964.24	16,264.85	15,699.39	3,299,025.06	9740
11-19-03	October 31, 2003	31,964.24	16,727.41	15,236.83	3,283,788.23	9910
12-17-03	November 30, 2003	31,964.24	16,113.05	15,851.19	3,267,937.04	10076
1-30-04	December 31, 2003	31,964.24	16,569.78	15,394.46	3,252,542.58	10197
3-1-04	January 31, 2004	31,964.24	16,446.87	15,517.57	3,237,025.01	10372
3-29-04	February 29, 2004	31,964.24	15,312.19	16,652.05	3,220,372.96	10495
5-12-04	March 31, 2004	31,964.24	16,284.00	15,680.24	3,204,692.72	10634
6-23-04	April 30, 2004	31,964.24	15,661.88	16,282.26	3,188,410.46	10873
7-13-04	May 31, 2004	31,964.24	16,122.38	15,841.86	3,172,568.60	01101
8-16-04	June 30, 2004	31,964.24	15,524.78	16,439.46	3,156,129.14	011202
9-17-04	July 31, 2004	31,964.24	15,959.15	16,005.09	3,140,124.05	011378
10-14-04	August 31, 2004	31,964.24	15,878.22	16,086.02	3,124,038.03	011505
10-19-04	September 30, 2004	31,964.24	15,287.30	16,676.94	3,107,361.09	011582
11-23-04	October 31, 2004	31,964.24	15,712.55	16,251.69	3,091,109.40	011647
12-28-04	November 30, 2004	31,964.24	15,126.17	16,838.07	3,074,271.33	011865
	December 31, 2004	31,964.24	15,545.23	16,419.01	3,057,852.32	012024

*Pmt. From ITS.*

ITS Telecommunications  
Amortization Schedule  
Funded Debt - PostCo.

Annual Interest Rate 5.97%  
Balance as of 5/31/98 3,809,050.58

<i>DATE PA</i>	Date	Payment	Interest	Principle	Balance	<i>CK #</i>
1-17-05	January 31, 2005	31,964.24	15,504.57	18,459.67	3,041,392.65	012136
2-15-05	February 28, 2005	31,964.24	13,928.75	18,035.49	3,023,357.16	012281
3-18-05	March 31, 2005	31,964.24	15,329.68	18,634.58	3,006,722.58	012418
4-27-05	April 30, 2005	31,964.24	14,753.53	17,210.71	2,989,511.87	012600
5-27-05	May 31, 2005	31,964.24	15,158.05	18,806.19	2,972,705.69	012720
6-27-05	June 30, 2005	31,964.24	14,586.62	17,377.62	2,955,328.08	012858
7-28-05	July 31, 2005	31,964.24	14,984.73	16,979.51	2,938,348.55	013021
8-22-05	August 31, 2005	31,964.24	14,898.63	17,065.81	2,921,282.94	013224
9-16-05	September 30, 2005	31,964.24	14,334.30	17,629.94	2,903,653.00	013238
10-17-05	October 31, 2005	31,964.24	14,722.71	17,241.53	2,886,411.47	013382
11-05	November 30, 2005	31,964.24	14,183.19	17,801.05	2,868,610.42	013498
12-28-05	December 31, 2005	31,964.24	14,545.03	17,419.21	2,851,191.21	013708
2-21-06	January 31, 2006	31,964.24	14,456.71	17,507.53	2,833,683.68	013942
2-27-06	February 28, 2006	31,964.24	12,977.49	18,986.75	2,814,696.93	013976
3-16-06	March 31, 2006	31,964.24	14,271.67	17,692.57	2,797,004.36	014081
4-19-06	April 30, 2006	31,964.24	13,724.48	18,239.76	2,778,764.60	014280
6-6-06	May 31, 2006	31,964.24	14,089.48	17,874.76	2,760,889.84	014528
6-16-06	June 30, 2006	31,964.24	13,547.27	18,418.97	2,742,472.87	014592
7-28-06	July 31, 2006	31,964.24	13,905.46	18,058.78	2,724,414.09	014801
8-17-06	August 31, 2006	31,964.24	13,813.90	18,150.34	2,706,263.75	014926
10-2-06	September 30, 2006	31,964.24	13,279.23	18,685.01	2,687,578.74	015136
10-16-06	October 31, 2006	31,964.24	13,627.13	18,337.11	2,669,241.63	015199
11-30-06	November 30, 2006	31,964.24	13,097.57	18,866.67	2,650,374.96	015427
12-19-06	December 31, 2006	31,964.24	13,438.49	18,525.75	2,631,849.21	015064
2-13-07	January 31, 2007	31,964.24	13,344.56	18,619.68	2,613,229.53	015750
3-9-07	February 28, 2007	31,964.24	11,967.88	19,996.36	2,593,233.17	015926 015853
3-21-07	March 31, 2007	31,964.24	13,148.76	18,815.48	2,574,417.69	015936
	April 30, 2007	31,964.24	12,832.28	19,331.96	2,555,085.73	016087
5-23-07	May 31, 2007	31,964.24	12,956.33	19,008.91	2,536,076.82	016236
6-26-07	June 30, 2007	31,964.24	12,444.15	19,520.09	2,516,556.73	016386
8-1-07	July 31, 2007	31,964.24	12,759.98	19,204.26	2,497,352.47	16579
8-27-07	August 31, 2007	31,964.24	12,662.80	19,301.64	2,478,050.83	16677
9/27/07-10-11-07	September 30, 2007	31,964.24	12,159.42	19,804.82	2,458,246.01	15989 16850
10-24-07	October 31, 2007	31,964.24	12,484.32	19,499.82	2,438,746.09	16776
11-26-07	November 30, 2007	31,964.24	11,966.56	19,997.68	2,418,748.41	17168
12-28-07	December 31, 2007	31,964.24	12,264.05	19,700.19	2,399,048.22	17308
1-23-08	January 31, 2008	31,964.24	12,130.92	19,833.32	2,379,214.90	017046
2-21-08	February 29, 2008	31,964.24	11,254.47	20,709.77	2,358,505.13	017611
3-24-08	March 31, 2008	31,964.24	11,925.92	20,038.32	2,338,466.81	019331
4-15-08	April 30, 2008	31,964.24	11,443.15	20,521.09	2,317,945.72	019449



PMT. From  
ITS

ITS Telecommunications  
Amortization Schedule  
Funded Debt - PostCo.

Annual Interest Rate 5.97%  
Balance as of 5/31/98 3,809,050.58

CA #

Date	Payment	Interest	Principle	Balance		
May 31, 2008	31,964.24	11,720.83	20,243.41	2,297,702.31	0019614	
June 30, 2008	31,964.24	11,243.67	20,720.57	2,276,981.74	018924	6/25/08
July 31, 2008	31,964.24	11,513.69	20,450.55	2,256,531.19	019859	7/28/08
August 31, 2008	31,964.24	11,410.28	20,553.96	2,235,977.23	020057	8-28-08
September 30, 2008	31,964.24	10,941.63	21,022.61	2,214,954.62	020164	9-19-08
October 31, 2008	31,964.24	11,200.05	20,764.19	2,194,190.43	020545	10-21-08
November 30, 2008	31,964.24	10,737.14	21,227.10	2,172,963.33	020725	11-21-08
December 31, 2008	31,964.24	10,987.71	20,976.53	2,151,986.80	020910	12-19-08
January 31, 2009	31,964.24	10,911.46	21,052.78	2,130,934.02	021140	1-26-09
February 28, 2009	31,964.24	9,759.09	22,205.15	2,108,728.87	021347	2-26-09
March 31, 2009	31,964.24	10,692.12	21,272.12	2,087,456.75	021501	3-13-09
April 30, 2009	31,964.24	10,242.84	21,721.40	2,065,735.35		
May 31, 2009	31,964.24	10,474.13	21,490.11	2,044,245.24		
June 30, 2009	31,964.24	10,030.80	21,933.44	2,022,311.80		
July 31, 2009	31,964.24	10,253.95	21,710.29	2,000,601.51		
August 31, 2009	31,964.24	10,143.87	21,820.37	1,978,781.14		
September 30, 2009	31,964.24	9,709.68	22,254.66	1,956,526.48		
October 31, 2009	31,964.24	9,920.39	22,043.85	1,934,482.63		
November 30, 2009	31,964.24	9,492.21	22,472.03	1,912,010.60		
December 31, 2009	31,964.24	9,894.68	22,269.56	1,889,741.04		
January 31, 2010	31,964.24	9,581.76	22,382.48	1,867,358.56		
February 28, 2010	31,964.24	8,551.99	23,412.25	1,843,946.31		
March 31, 2010	31,964.24	9,349.57	22,614.67	1,821,331.64		
April 30, 2010	31,964.24	8,937.00	23,027.24	1,798,304.40		
May 31, 2010	31,964.24	9,118.14	22,846.10	1,775,458.30		
June 30, 2010	31,964.24	8,711.91	23,252.33	1,752,205.97		
July 31, 2010	31,964.24	8,884.40	23,079.84	1,729,126.13		
August 31, 2010	31,964.24	8,767.38	23,196.88	1,705,929.27		
September 30, 2010	31,964.24	8,370.74	23,593.50	1,682,335.77		
October 31, 2010	31,964.24	8,530.13	23,434.11	1,658,901.66		
November 30, 2010	31,964.24	8,139.98	23,824.28	1,635,077.40		
December 31, 2010	31,964.24	8,290.51	23,673.73	1,611,403.67		
January 31, 2011	31,964.24	8,170.48	23,793.76	1,587,609.91		
February 28, 2011	31,964.24	7,270.82	24,693.42	1,562,916.49		
March 31, 2011	31,964.24	7,924.63	24,039.61	1,538,876.88		
April 30, 2011	31,964.24	7,551.04	24,413.20	1,514,463.68		
May 31, 2011	31,964.24	7,678.95	24,285.29	1,490,178.39		
June 30, 2011	31,964.24	7,312.08	24,652.16	1,465,526.23		
July 31, 2011	31,964.24	7,430.82	24,533.42	1,440,992.81		
August 31, 2011	31,964.24	7,306.43	24,657.81	1,416,335.00		

ITS Telecommunications  
 Amortization Schedule  
 Funded Debt - PostCo.

Annual Interest Rate 5.97%  
 Balance as of 5/31/98 3,609,050.58

Date	Payment	Interest	Principle	Balance
September 30, 2011	31,964.24	6,948.74	25,014.50	1,391,320.50
October 31, 2011	31,964.24	7,054.57	24,909.67	1,366,410.83
November 30, 2011	31,964.24	6,704.77	25,259.47	1,341,151.36
December 31, 2011	31,964.24	6,800.19	25,164.05	1,315,987.31
January 31, 2012	31,964.24	6,654.37	25,309.87	1,290,677.44
February 29, 2012	31,964.24	6,105.33	25,858.91	1,264,818.53
March 31, 2012	31,964.24	6,395.63	25,568.61	1,239,249.92
April 30, 2012	31,964.24	6,064.20	25,900.04	1,213,349.88
May 31, 2012	31,964.24	6,135.37	25,828.87	1,187,521.01
June 30, 2012	31,964.24	5,811.07	26,153.17	1,161,367.84
July 31, 2012	31,964.24	5,872.52	26,091.72	1,135,276.12
August 31, 2012	31,964.24	5,740.59	26,223.65	1,109,052.47
September 30, 2012	31,964.24	5,427.08	26,537.16	1,082,515.31
October 31, 2012	31,964.24	5,473.80	26,490.44	1,056,024.87
November 30, 2012	31,964.24	5,167.60	26,796.64	1,029,228.23
December 31, 2012	31,964.24	5,204.35	26,759.89	1,002,468.34
January 7, 2013	1,003,616.10	1,147.76	1,002,468.34	0.00

EXTRACTED

**DOCKET NO. 100180-TL**

**ITS TELECOMMUNICATIONS SYSTEMS, INC.'S RESPONSE**

**TO**

**STAFF DATA REQUEST NO. 1**

Request No. 5

RUS Project Designation:

FLORIDA 1103-A35

LOAN AGREEMENT

dated as of January 21, 2009

between

ITS TELECOMMUNICATIONS SYSTEMS, INC.

and

THE UNITED STATES OF AMERICA

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

## LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Agreement,") dated as of January 21, 2009, is between ITS TELECOMMUNICATIONS SYSTEMS, INC. ("Borrower,") a corporation existing under the laws of Florida, and the UNITED STATES OF AMERICA, acting through the Administrator of the Rural Utilities Service ("RUS,")

The Borrower has applied for financial assistance ("Application") to RUS, requesting financial assistance from RUS to finance broadband services in rural areas.

RUS is willing to extend financial assistance, in the form of a loan to the Borrower, pursuant to Title VI of the Rural Electrification Act of 1936 (7 U.S.C. 901 *et seq.*) and all applicable federal regulations, on the terms and conditions stated herein.

THEREFORE, in consideration of the promises and mutual covenants herein contained, the parties agree and bind themselves as follows:

### ARTICLE I - DEFINITIONS

The terms defined herein include both the plural and the singular. Unless otherwise specifically provided, all accounting terms not otherwise defined herein shall have the meanings assigned to them, and all determinations and computations herein provided for shall be made in accordance with Accounting Requirements.

"Accounting Requirements" shall mean the system of accounting prescribed by RUS Bulletin 1770B-1, as supplemented by Attachment 3 hereto.

"Advance" or "Advances" shall mean an advance or advances made by RUS under the Note(s).

"Affiliate" or "Affiliated Company" of any specified person or entity means any other person or entity directly or indirectly controlling of, controlled by, under direct or indirect common control with, or related to, such specified person or entity, or which exists for the sole purpose of providing any service to one company or exclusively to companies which otherwise meet the definition of affiliate. This definition includes Variable Interest Entities as described in Financial Accounting Standards Board Interpretation (FIN) No. 46(R), *Consolidation of Variable Interest Entities*. For the purpose of this definition, "control" means the possession directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership voting of securities, common directors, officers, or stockholders, voting trust, holding trusts (other than money exchanged) for property or services.

"Application" shall have the meaning as defined in the second paragraph hereof.

"Business Day" shall mean any day that RUS and the Department of Treasury are both open for business.

"Build-Out Schedule" shall mean the build-out schedule for the Project, attached hereto as Schedule 2, as amended by RUS consent to a subsequent amendment or Build-Out Plan.

"Build-Out Plan" shall mean the plan, as may be required by Section 4.1(i), submitted on a semi-annual basis and covering all projects contemplated during the same six-month period.

"Distribution" shall have the meaning as defined in Section 6.9.

"Event of Default" shall have the meaning as defined in Article VIII.

"Expiration Date" shall have the meaning as defined in Paragraph (c) of Section 3.1.

"Interest Expense" shall have the meaning as defined in Attachment 3.

"Laws" shall have the meaning as defined in paragraph (e) of Article II.

"Loans" shall mean the loans described in Section 3.1.

"Loan Documents" shall mean, collectively, this Agreement, Security Documents and the Note(s).

"Material Adverse Effect" shall mean a material adverse effect on, or change in, the condition, financial or otherwise, operations, properties, business or prospects of the Borrower or on the ability of the Borrower to perform its obligations under the Loan Documents as determined by RUS.

"Net Income" or "Net Margins" shall have the meaning as defined in Attachment 3.

"Net Worth" shall have the meaning as defined in Attachment 3.

"Note(s)" shall have the meaning as defined in Paragraph (a) of Section 3.2.

"Permitted Encumbrances" shall have the meaning as defined in the Security Documents.

"Pledged Deposit Account" shall have the meaning as defined in Section 5.4.

"Project" shall have the meaning as defined in Paragraph (a) of Section 3.4.

"RUS Regulations" shall mean the rules, regulations and bulletins of general applicability published by RUS from time to time, as such rules, regulations and bulletins exist at the date of applicability thereof, and shall also include any rule and regulations of other Federal entities which RUS is required by law to implement. Any reference to specific RUS Regulations shall mean the version of and cite to such regulation effective at the date of applicability thereof.

"Security Documents" shall mean, collectively, any mortgage, security agreement, financing statement, deposit account control agreement or other document providing collateral for the Loan.

"Service Rates" shall mean the rates charged for data, video, voice or any other service proposed in the Application.

"Subsidiaries" shall mean the subsidiaries listed in Schedule 1.

"TIER" shall mean the Borrower's total Net Income or Net Margins plus Interest Expense payable for any year divided by Interest Expense payable for such year, as determined in Schedule 1 hereto.

"TIER Commencement Date" shall have the meaning as defined in Section 5.11.

"Total Assets" shall have the meaning as defined in Attachment 3.

## ARTICLE II - REPRESENTATIONS AND WARRANTIES

Recognizing that RUS is relying hereon, the Borrower represents and warrants, as of the date of this Agreement, as follows:

- (a) *Organization; Power, Etc* The Borrower: (i) is the type of organization specified in the first paragraph hereof, duly organized, validly existing, and in good standing under the laws of the State identified in the first paragraph hereof; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business make such qualification necessary; (iii) has legal power to own and operate its assets and to carry on its business and to enter into and perform its obligations under the Loan Documents; (iv) has duly and lawfully obtained and maintained all material licenses, certificates, permits, authorizations and approvals necessary to conduct its business or required by applicable Laws; and (v) is eligible to obtain the financial assistance from RUS contemplated by the Agreement.
- (b) *Authority.* The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents and the performance of the transactions contemplated hereby and thereby have been duly authorized by all necessary actions and do not violate any provision of law or any charter, articles of incorporation, organization documents or bylaws of the Borrower or result in a breach of, or constitute a default under, any agreement, security agreement, note or other instrument to which the Borrower is a party or by which it may be bound. The Borrower has not received any notice from any other party to any of the foregoing that a default has occurred or that any event or condition exists that with the giving of notice or lapse of time or both would constitute such a default.
- (c) *Consents.* No consent, approval, authorization, order, filing, qualification, license, or permit of any governmental authority is necessary in connection with the execution, delivery, performance or enforcement of the Loan Documents, except such as have been obtained and are in full force and effect.
- (d) *Binding Agreement.* Each of the Loan Documents is, or when executed and delivered will be, the legal, valid, and binding obligation of the Borrower, enforceable in accordance with its terms, subject only to limitations on enforceability imposed in equity or by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.
- (e) *Compliance with Laws.* The Borrower is in compliance in all material respects with all federal, state and local laws, rules, regulations, ordinances, codes and orders (collectively, "Laws.")
- (f) *Litigation.* There are no pending or threatened legal, arbitration or governmental actions or proceedings to which the Borrower is a party or to which any of its property is subject which, if adversely determined, could have a Material Adverse Effect.
- (g) *Information Submitted with Application.* All information, reports, and other documents and data submitted to RUS in connection with the Application were, at the time the same were furnished, complete, and correct in all material respects. Any financial statements or data submitted to RUS in connection with the Application present fairly, in all material respects, the financial position of the Borrower and the results of its operations in conformity with Accounting Requirements. Since the date thereof, there has been no material adverse change in the financial condition or operations of the Borrower.

- (h) *Location of Properties.* All real property and interests therein of the Borrower are located in the states and counties or parishes identified in the Security Documents.
- (i) *Principal Place of Business.* The principal place of business and chief executive office of the Borrower is at the address of the Borrower specified in Schedule 1 hereto.
- (j) *Organization Number.* The Borrower's organization number is correctly identified in Schedule 1 hereto.
- (k) *Subsidiaries and Parent.* Any subsidiaries or parent of the Borrower are disclosed on the attached Schedule 1.
- (l) *Defaults Under Other Agreements.* No default by the Borrower has occurred under any agreement or instrument to which the Borrower is a party or to which any of its property is subject that could have a Material Adverse Effect.
- (m) *Title to Property.* Except as disclosed in writing in the opinion of counsel, the Borrower holds good and marketable title to all of the collateral securing the Loan, free and clear of any liens, security interests or other encumbrances except for Permitted Encumbrances.

### ARTICLE III – THE LOANS

#### Section 3.1 Loan Amount, Interest Rate, and Expiration Date.

- (a) RUS agrees to make and the Borrower agrees to accept, on the terms and conditions stated in this Agreement, a loan in the amount specified in Schedule 1 hereto (the "Loan.")
- (b) The portion of the Loan specified in Schedule 1 hereto will bear interest at the comparable Treasury rate for comparable maturities, as determined by RUS, and the portion of the Loan specified in Schedule 1 hereto will bear interest at the rate of four percent (4%) per annum.
- (c) The obligation of RUS to advance the Loan or any portion of the Loan shall expire on a date ("Expiration Date") five years from the date of the Note(s). No portion of the Loan will be advanced by RUS to the Borrower after the Expiration Date. RUS, in its sole discretion, may approve an extension of the Expiration Date, provided that the Borrower notify RUS, in writing at least ten days prior to the Expiration Date, of the reasons and need for an extension, together with a suggested revised Expiration Date.

#### Section 3.2 Loan Documents

- (a) The debt created by the Loan will be evidenced by a note(s) ("Note(s)") executed by the Borrower and payable to the United States of America. The Borrower shall repay the Loan in accordance with the Note(s) which shall be payable and bear interest in accordance with its (their) terms.
- (b) The Borrower shall execute the Security Documents covering all of the Borrower's property, in form and substance satisfactory to RUS, and such other security instruments as required by RUS. If the Borrower does not presently have real property, it covenants that it will enter into a standard mortgage with the RUS upon acquisition of real property.



**Section 3.3 Payment**

Except as otherwise prescribed by RUS, the Borrower shall make all payments on the Note(s) utilizing electronic fund transfer procedures as specified by RUS.

**Section 3.4 Project**

- (a) *Loan Purpose.* The Loan has been made solely to finance the project specifically described in the Application ("Project.")
- (b) *Changes to Project.* The Borrower shall obtain the prior written approval of RUS for any material change to the system design, construction, build-out schedule, if any, delivery of services, and/or objective(s) of the Project.

**ARTICLE IV - CONDITIONS OF LENDING**

**Section 4.1 Conditions Precedent to Loan Closing**

In connection with the execution and delivery of this Agreement, each of the following conditions shall be satisfied (all documents, certificates and other evidence of such conditions are to be satisfactory to RUS in its discretion):

- (a) *Legal Matters.* All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for RUS;
- (b) *Loan Documents.* RUS shall receive duly executed originals of the Loan Documents;
- (c) *Filed and Recorded Security Documents.* RUS shall have received the following documents securing the Loan: (i) executed, filed and indexed financing statements covering all of the personal property and fixtures of the Borrower and (ii) executed, filed and recorded counterparts of a mortgage covering all of the Borrower's real property;
- (d) *Compliance with Deposit Requirements.* RUS has received from the Borrower, evidence, satisfactory to RUS, that the Borrower has maintained on deposit in account, equity funds, in the amount specified in Schedule 1, to cover operating expenses, in accordance with 7 C.F.R. Section 1738.20(b), less amounts expended, as approved by RUS;
- (e) *Articles of Incorporation, Charter, Bylaws and Organizational Documents.* With respect to corporate and cooperative Borrowers, RUS shall have received certified copies of the Borrower's most recent articles of incorporation or charter and bylaws. With respect to limited liability companies or similar organizations, RUS shall have received certified copies of the Borrower's most recent organization documents containing provisions reflecting the obligations of the Borrower in paragraphs (c) and (d) of Section 6.3;
- (f) *Authorizations.* RUS shall have received satisfactory evidence that all Loan Documents and proceedings of the Borrower necessary for duly authorizing the execution, delivery and performance of the Loan Documents have been obtained and are in full force and effect;
- (g) *Approvals.* RUS shall have received satisfactory evidence that the Borrower has duly registered when and where required by law with all state, Federal and other

public authorities and regulatory bodies and obtained all authorizations, certificates, and approvals necessary for, or required as a condition of, the validity and enforceability of each of the Loan Documents;

- (h) *Title Evidence.* RUS shall have received satisfactory evidence that the Borrower has good and marketable title to its property, including the Project, and holds such franchises, permits, leases, easements, rights, privileges, licenses, or right-of-way instruments, reasonably adequate in form and substance, as may be required by law for the continued maintenance and operation of the existing facilities and Project;
- (i) *Build-Out Plan.* If required by RUS on Schedule 1 hereto, RUS shall have received a build-out plan for the Project (the "Build-Out Plan") that is in accordance with the Build-Out Schedule attached hereto as Schedule 2, which shall cover all projects proposed during the first six (6) month construction period, and which must include the following additional items:
  - (1) *For Wireless networks.*
    - (A) list of tower sites that will be operational during the 6-month period along with the respective communities that will be served from each tower site;
    - (B) network diagram showing all the tower sites and how they interconnect together and with the backbone service providers;
    - (C) frequency analysis map of each tower site showing the location of the tower, the cell extenders (if any), the coverage area, and the number of households and businesses that are located within the coverage area;
    - (D) detailed description of each project by tower site; its estimated cost; its respective commencement/completion time frames; and the proposed installation methodology (contract/in-house workforce). If in-house workforce will be utilized, then a detailed description of this workforce and how it will complete the project within the specified time frame is required; and
    - (E) all executed agreements related to tower leases, bandwidth, rights-of-way, etc., and FCC licenses required to build and operate the network proposed in the plan;
  - (2) *For Fiber/Cable Networks.*
    - (A) list of hub sites that will be in operation during the 6-month period along with the respective communities that will be served from each hub site;
    - (B) network diagram showing all the hub sites and how they interconnect together and with the backbone service providers;
    - (C) service area map of each hub site showing the location of the hub site, the coverage area, and the number of households and businesses located within the coverage area; and
    - (D) detailed description of each project that will be constructed within the service area served by each hub site, including the estimated

cost, the respective commencement/completion time frames, and the proposed construction methodology, whether by contract or in-house (note that if in-house workforce is utilized, then a detailed description of the workforce and how it will complete the project within the specified time frame is required), and all executed agreements related to building/tower leases, bandwidth, rights-of-way, etc., as well as any licenses and agreements specific to building and operating the network proposed in the plan.

- (3) *Additional Requirements.* For both Wireless and Fiber/Cable Networks, any additional requirements as may be listed on Schedule 1 hereto.
- (j) *Management, Service, and Operating Agreements.* Except as otherwise provided in Sections 4.2 and/or 4.3 herein, RUS shall have received all management, service, and operating agreements, in form and substance acceptable to RUS, which shall be in accordance with fees or rates presented in the *pro forma* financial statements submitted to RUS in the Application for the Loan;
- (k) *Opinion of Counsel.* RUS shall have received an opinion of counsel for the Borrower (who shall be acceptable to RUS) in form and substance acceptable to RUS for each state in which the Borrower operates; and
- (l) *Additional Conditions.* The Borrower has met all additional conditions specified in Schedule 1 hereto.

#### **Section 4.2 General Conditions Precedent to RUS' Obligations to Release Funds for Advance**

The obligations of RUS hereunder are subject to the satisfaction of each of the following conditions precedent (all documents, certificate and other evidence of such conditions are to be satisfactory to RUS in its discretion):

- (a) *Service Rate Evidence.* RUS shall have received satisfactory evidence that the Borrower has duly adopted Service Rates for all proposed services which are designed with a view to (i) paying and discharging all taxes, maintenance expenses, and operating expenses of the Borrower, (ii) making all payments in respect of principal and interest on the Note(s) when and as the same shall become due, (iii) providing and maintaining reasonable working capital of the Borrower, and (iv) producing and maintaining the TIER specified in Schedule 1 hereto;
- (b) *Fidelity Bond or Theft Insurance Coverage.* RUS has received copies of the fidelity bond or theft insurance policy from the Borrower, identifying RUS as a loss payee, from a surety doing business with the United States listed in 31 CFR Part 223, in the amount specified in Schedule 1, covering all officers, employees, or agents of the Borrower authorized to receive, disburse, or receive and disburse the Loan;
- (c) *Current Financial Information and Certificate of Authority.* RUS has received from the Borrower: (i) its updated balance sheet, statement of cash flow, and income statement and (ii) a duly authorized and executed certification, Form 675, "Certification of Authority," designating an officer, employee, or agent of the Borrower as the person or persons authorized to execute and submit, on behalf of the Borrower, REA Form 481, "Financial Requirement Statement."
- (d) *Additional Conditions.* The Borrower has met all additional conditions specified in Schedule 1 hereto.

### **Section 4.3 Conditions to Individual Advances**

The obligations of RUS to approve any Advance of the Loan is subject to the satisfaction of each of the following conditions precedent on or before the date of such Advance (all documents, certificates and other evidence of such conditions precedent are to be satisfactory to RUS in its discretion):

- (a) *Continuing Representations and Warranties.* That the representations and warranties of the Borrower contained in this Agreement be true and correct on and as of the date of such Advance as though made on and as of such date;
- (b) *Material Adverse Effect.* That no event has occurred which has had or could have a Material Adverse Effect;
- (c) *Event of Default.* That no Event of Default and no event which with the passage of time or giving of notice, or both, would constitute an Event of Default shall have occurred and be continuing, or shall have occurred after giving effect to any Advances on the books of the Borrower;
- (d) *Requisitions and Supporting Documentation.* That RUS shall have received a requisition, not more frequently than once a month, and supporting documentation from the Borrower in accordance with RUS Bulletin 1738-2, *Rural Broadband Access Loan and Loan Guarantee Advance and Construction Procedures Guide*, as amended and supplemented from time to time (hereinafter "RUS Bulletin 1738-2,") available at <http://www.usda.gov/rus/telecom/broadband/rus-bulletin-1738-2> and attached hereto as Attachment 1.
- (e) *Flood Insurance.* That for any Advance used in whole or in part to finance the construction or acquisition of any building in any area identified by the Secretary of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973 (the "Flood Insurance Act") or any rules, regulations or orders issued to implement the Flood Insurance Act as any area having special flood hazards, or to finance any facilities or materials to be located in any such building, or in any building owned or occupied by the Borrower and located in such a flood hazard area, the Borrower shall have submitted evidence, in form and substance satisfactory to RUS or RUS has otherwise determined, that (i) the community in which such area is located is then participating in the national flood insurance program, as required by the Flood Insurance Act and any related regulations, and (ii) the Borrower has obtained flood insurance coverage with respect to such building and contents as may then be required pursuant to the Flood Insurance Act and any related regulations.;
- (f) *Current Financial Information.* That RUS has received from the Borrower its current balance sheet, statement of cash flow, and income statement;
- (g) *Compliance with Deposit Requirements.* RUS has received from the Borrower, evidence, satisfactory to RUS, that the Borrower has maintained on deposit in account, equity funds, in the amount specified in Schedule 1, less amounts expended as approved by RUS, to cover operating expenses, in accordance with 7 C.F.R. Section 1738.20(b);
- (h) *Compliance with Build-Out Schedule.* RUS has received from the Borrower evidence, satisfactory to RUS, that the Project is being constructed in accordance with the Build-Out Schedule, attached hereto as Schedule 2, as may be amended by the Build-Out Plan;
- (i) *Compliance with Loan Documents.* That the Borrower is in material compliance with the Loan Documents;

- (j) *Permits, Licenses and Franchises.* RUS shall have received satisfactory evidence that the Borrower has obtained the permits, licenses, franchises and other approvals identified on Schedule 1;
- (k) *Additional Documents.* The Borrower agrees to provide RUS with such additional documents as RUS may request; and
- (l) *Additional Conditions.* The Borrower has met all additional conditions specified in Schedule 1 hereto.

**Section 4.4 First Advance to Pay Off Interim Financing; Restrictions on Subsequent Advances**

Loan funds to pay off RUS-approved interim financing, if any, will be included in the first loan advance. Thereafter no further advances will be made unless and until the Borrower has furnished evidence, in form and content satisfactory to RUS, that such interim financing has been paid in full and any associated liens have been duly discharged of record.

**ARTICLE V - AFFIRMATIVE COVENANTS**

**Section 5.1 Generally**

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, the Borrower shall duly observe each of the affirmative covenants contained in this Article V.

**Section 5.2 Use of Advances**

The Borrower shall apply the proceeds of Advances in accordance with its Application with such modifications as may be mutually agreed to in writing by RUS and the Borrower.

**Section 5.3 Unused and Disallowed Advances**

- (a) The Borrower shall return to RUS forthwith all or any advanced portion of the Loan not disbursed by the Borrower for the Project or not needed to complete the Project with any interest earned thereon when deposited in the Pledged Deposit Account or other account approved by RUS.
- (b) The Borrower shall reimburse RUS for any advanced funds whose original expenditure has been disallowed by a RUS loan audit. Disallowances shall be satisfied, as directed by RUS, by either administrative offset against requests for Advances or repaying the disallowed amount directly to the United States Treasury. Such disallowed amounts shall accrue interest payable to RUS from the date RUS delivers to the Borrower a written demand for payment. Interest shall accrue at the lesser of the following: the interest rate of the disallowed Advance or the then current United States Treasury rate as prescribed by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletin. Closeout of the Loan will not affect the right of RUS to disallow expenditures and recover, in full, any amount on the basis of a subsequent audit or other review or the Borrower's obligation to return any disallowed expenditures.

**Section 5.4 Deposit of Advances into Pledged Deposit Account**

- (a) The Borrower shall open and maintain a deposit account pledged to RUS ("Pledged Deposit Account,") in a bank or depository whose deposits are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS and shall be designated by the RUS name of the Borrower followed by the words "Pledge

Deposit Account." The Borrower shall promptly deposit proceeds from all Advances of the Broadband Loan, including previously advanced funds whose original expenditure has been disallowed by a RUS loan audit, and other funds described on Schedule 1 hereto (hereinafter "Additional Funds") into the Pledged Deposit Account. Moneys in the Pledged Deposit Account shall be used solely for the purposes for which the Advance was made, for the purposes as set forth in Schedule 1 hereto (hereinafter "Additional Purposes,") or for such other purposes as may be approved by RUS. Deposits and disbursements from the Pledged Deposit Account shall be made and recorded in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time.

- (b) *First Lien on Pledged Deposit Account.* The Borrower shall perfect and maintain a first and prior lien in the Pledged Deposit Account (pursuant to a deposit account agreement or similar agreement or mechanism for perfecting as provided by applicable law) in form acceptable to RUS.

#### **Section 5.5 Use of Operating Funds**

The Borrower shall expend the operating funds required by 7 C.F.R. Section 1738.20(b), as approved by RUS.

#### **Section 5.6 Financial Books**

The Borrower shall maintain, at its premises, such books, documents, papers, or other records and supporting documents, including, but not limited to, invoices, receipts, and bills of sale, adequate to identify the purposes for which, and the manner in which Loan and other funds were expended on the Project. The Borrower shall at all times keep, and safely preserve, proper books, records and accounts in which full and true entries shall be made of all dealings, business, and affairs of the Borrower and its Subsidiaries, in accordance with any applicable Accounting Requirements unless RUS' prior written consent is obtained to utilize an alternate system of accounting. The Borrower shall maintain copies of all documents submitted to RUS in connection with the Loan until the Loan has been paid in full and all audits have been completed.

#### **Section 5.7 Rights of Inspection**

The Borrower shall afford RUS, the Office of the Inspector General of USDA, and the General Accounting Office, through their representatives, reasonable opportunity, at all times during business hours and upon prior notice, to have access to and right to inspect the Project, any other property encumbered by the Security Documents, and any and all books, records, accounts, including electronic books, records, accounts and electronic mail messages, regardless of the physical form or characteristics, invoices, contracts, leases, payrolls, canceled checks, statements, and other documents, and papers of every kind belonging to or in any way pertaining to its property or business, including its Subsidiaries, if any, and to make copies or extracts therefrom.

#### **Section 5.8 Annual and Special Financial Reports**

- (a) One hundred twenty (120) days from the end of the Borrower's current fiscal year and, thereafter, one hundred twenty (120) days from the close of each fiscal year of the Borrower, the Borrower shall cause to be prepared and furnished to RUS a full and complete annual report of its financial condition and of its operations in form and substance satisfactory to RUS, and as provided in 7 C.F.R. 1773, which is audited and certified by an independent certified public accountant satisfactory to RUS and accompanied by a report of such audit in form and substance satisfactory to RUS.

- (b) The Borrower shall also furnish to RUS thirty (30) calendar days after the end of each calendar year quarter, and on such additional dates as specified in Schedule I (hereinafter "Additional Reporting Dates,") or as otherwise requested in writing by RUS, balance sheets, income statements, statements of cash flow, or such other reports concerning the financial condition or operations of the Borrower, including its Subsidiaries, as RUS may request or RUS Regulations require.

#### **Section 5.9 Annual Compliance Certificate**

Within forty-five (45) days after the close of each calendar year, or more often if required in writing by RUS, the Borrower shall deliver to RUS a written statement signed by its general manager, managing member, or equivalent corporate official satisfactory to RUS, stating that, during such year the Borrower has fulfilled its obligations under the Loan Documents throughout such year in all material respects or, if there has been a material default in the fulfillment of such obligations, specifying each such default known to such official and the nature and status thereof.

#### **Section 5.10 Miscellaneous Reports and Notices**

The Borrower shall furnish to RUS:

- (a) *Notice of Default.* Promptly after becoming aware thereof, notice of: the occurrence of any default under the Loan Documents or the receipt of any notice given pursuant to the Loan Documents with respect to the occurrence of any event which with the giving of notice or the passage of time, or both, could become an Event of Default hereunder or under the other Loan Documents.
- (b) *Notice of Litigation.* Promptly after the commencement thereof, notice of the commencement of all actions, suits or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Borrower or any Affiliate which, if adversely determined, could have a Material Adverse Effect on the Borrower.
- (c) *Regulatory and Other Notices.* Promptly after receipt thereof, copies of any notices or other communications received from any governmental authority with respect to any matter or proceeding which could have a Material Adverse Effect on the Borrower.
- (d) *Material Adverse Effect.* Promptly after becoming aware thereof, notice of any matter which has resulted or may result in a Material Adverse Effect on the Borrower.
- (e) *Corporate Document Changes.* Thirty (30) days prior to their effectiveness, any amendments, supplements or modifications to the Borrower's Articles of Incorporation, Charter, Bylaws, Operating Agreement, Members Agreements or other Organizational Documents.
- (f) *Other Information.* Such other information regarding the condition, financial or otherwise, or operations of the Borrower as RUS may, from time to time, reasonably request.

#### **Section 5.11 Rates and Financial Performance Criteria**

The Borrower shall design, charge and maintain rates in effect which (i) pay and discharge all taxes, maintenance expenses and operating expenses of its system (ii) make all payments in respect of principal of and interest on the Note(s) when and as the same shall become due, (iii) provide and maintain reasonable working capital for the Borrower, and (iv) maintain the TIER specified on Schedule I hereto

commencing on the date specified on Schedule 1 hereto (the "TIER Commencement Date") and ending when the Loan is repaid in full.

**Section 5.12 TIER**

The Borrower will maintain the TIER specified in Schedule 1 beginning on the TIER Commencement Date until the Loan is paid in full.

**Section 5.13 Corrective Action**

Within thirty (30) days of (i) sending the financial reports required by Section 5.8 hereof that shows the TIER specified by Section 5.12 was not achieved for the reported fiscal period or (ii) being notified by RUS that the TIER specified in Section 5.12 was not achieved for the reported fiscal period, whichever is earlier, the Borrower, in consultation with RUS, shall provide a written plan satisfactory to RUS setting forth the actions that shall be taken to achieve the specified TIER on a timely basis and shall promptly implement said plan.

**Section 5.14 Obligations with Respect to the Construction, Operation and Maintenance of the Project**

- (a) *Project Management and Operation.* The Borrower shall be responsible for managing the day to day operations of the Project and will operate the Project in an efficient and economic manner as well as maintaining the Project in good repair.
- (b) *Design Standards, Construction Standards and List of Material.* The Borrower shall use design standards, construction standards and list of acceptable materials in accordance with Attachment 1 hereto, RUS Bulletin 1738-2, as amended and supplemented from time to time.
- (c) *Construction in Accordance with System Design.* The Borrower shall cause the Project to be constructed and/or built-out, and completed in accordance with the system design submitted with the Application, as such design may be amended with prior RUS consent, and the build-out schedule attached hereto as Schedule 2.
- (d) *General Insurance Requirements.* The Borrower shall take out and maintain insurance on the Project and any other property acquired with the Loan in accordance with 7 CFR Section 1788 as well as maintaining the fidelity bond or theft insurance coverage required in Section 4.2(b) hereof.
- (e) *Semi-annual Build-Out Plan.* Subject to Section 10.2, Borrowers which are required to provide RUS with a Build-Out Plan pursuant to Section 4.1(i) shall provide RUS with a semi-annual Build-Out Plan, satisfactory to RUS, covering the six-month period from the date the first Build-Out Plan is approved by RUS, and every six months thereafter until completion of the Project. Starting with the second Build-Out Plan, the Borrower shall include: (1) for wireless networks, a report for the preceding Build-Out Plan covering the list of tower sites that are in operation along with the respective communities that are located within the coverage area of each tower site, the total deployment cost of each site, and the number of households/businesses located within the coverage area of each tower site; or (2) for fiber/cable networks, a report for the preceding Build-Out Plan covering the list of hub sites that are in operation along with the respective communities that are located within each hub site's service area, total construction cost of each hub site and its respective service area, and the number of households/businesses that are located within the service area served by each hub site.
- (f) *Commencement of Construction and/or Installation.* Unless otherwise extended pursuant Section 10.2:



- (1) Borrowers which are required to provide RUS with a Build-Out Plan pursuant to Section 4.1(i) shall commence construction and/or installation of the Project within three (3) months from the date the Build-Out Plan is approved by RUS or seven (7) months from the date hereof, pursuant to Section 4.1 hereof, whichever is later.
- (2) Borrowers which are not required to provide RUS with a Build-Out Plan shall commence construction and/or installation of the Project within seven (7) months from the date hereof pursuant to Section 4.1.

**Section 5.15 Preservation of Existence and Rights**

The Borrower shall, until the Loan is repaid in full, take or cause to be taken all such actions as from time to time may be necessary to preserve its existence and to preserve and renew all franchises, contracts, rights of way, easements, permits, and licenses now or hereafter to be granted or conferred upon it, with respect to the Project, the loss of which would have a Material Adverse Effect on the Borrower.

**Section 5.16 Compliance with Laws**

The Borrower shall operate and maintain the Project and its properties in compliance in all material respects with all applicable Laws.

**Section 5.17 Nondiscrimination**

- (a) *Equal Opportunity Provisions in Construction Contracts.* The Borrower shall incorporate or cause to be incorporated into any construction contract, as defined in Executive Order 11246 of September 24, 1965 and implementing regulations, which is paid for in whole or in part with funds obtained from RUS or borrowed on the credit of the United States pursuant to a grant, contract, loan, insurance or guarantee, or undertaken pursuant to any RUS program involving such grant, contract, loan, insurance or guarantee, the equal opportunity provisions set forth in Attachment 2 hereto, entitled Equal Opportunity Contract Provisions.
- (b) *Equal Opportunity Contract Provisions Also Bind the Borrower.* The Borrower further agrees that it shall be bound by such equal opportunity clause in any federally assisted construction work which it performs itself other than through the permanent work force directly employed by an agency of government.
- (c) *Sanctions and Penalties.* The Borrower agrees that it shall cooperate actively with RUS and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations and relevant orders of the Secretary of Labor, that it shall furnish RUS and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it shall otherwise assist the administering agency in the discharge of RUS' primary responsibility for securing compliance. The Borrower further agrees that it shall refrain from entering into any contract or contract modification subject to Executive Order 11246 with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to Part II, Subpart D of Executive Order 11246 and shall carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by RUS or the Secretary of Labor pursuant to Part II, Subpart D of Executive Order 11246. In addition, the Borrower agrees that if it fails or refuses to comply with these undertakings RUS may cancel, terminate or suspend in whole or in part this Agreement, may refrain from extending any further assistance under any of its programs subject to Executive Order 11246 until satisfactory assurance of future

compliance has been received from the Borrower, or may refer the case to the Department of Justice for appropriate legal proceedings.

**Section 5.18 Buy American**

The Borrower shall use or caused to be used in connection with the expenditures of funds if such funds were obtained in whole or in part by a loan being made or guaranteed by RUS only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or any eligible country, and only such manufactured articles, material, and supplies as have been manufactured in the United States or any eligible country substantially all from articles, material, and supplies mined, produced or manufactured, as the case may be, in the United States or any eligible country, except to the extent RUS shall determine that such use shall be impracticable or that the cost thereof shall be unreasonable. For purposes of this section, an "eligible country" is any country that has with respect to the United States an agreement ensuring reciprocal access for United States products and services and United States suppliers to the markets of that Country, as determined by the United States Trade Representative.

**Section 5.19 Additional Affirmative Covenants**

The Borrower shall comply with the additional affirmative covenants set forth in Schedule 1 hereto.

**ARTICLE VI – NEGATIVE COVENANTS**

**Section 6.1 General**

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, the Borrower shall duly observe each of the negative covenants set forth in this Article VI.

**Section 6.2 Merger, Consolidation, Transfer of Property, or Change in Control**

The Borrower, or any affiliate which shall exert control over or manage the Borrower, shall not, without the prior written consent of RUS, take or suffer to be taken any steps to reorganize, consolidate with or merge into any other corporation, or to sell, lease or transfer (or make any agreement therefor) all or any part of its property, including, without limitation, the Project, nor take or suffer to be taken any steps which would result in a change of control.

**Section 6.3 Covenants for Limited Liability Companies and Similar Borrowers**

Borrowers which are limited liability or similar organizations agree that:

- (a) The death, retirement, resignation, expulsion, termination, bankruptcy or dissolution of any member or the occurrence of any other event that terminates the continued membership of any member shall not cause the Borrower to be dissolved or its affairs to be wound up;
- (b) Prior to the date on which any and all obligations owed to RUS, including the Note evidencing the Loan, are discharged in full, the Borrower shall not be dissolved or terminated;
- (c) The organizational documents of the Borrower shall contain provisions reflecting the obligations of the Borrower in paragraphs (a) and (b) immediately above and such provisions shall not be amended without the prior written consent of RUS;
- (d) No direct or indirect addition or issuance of any membership units (or any other ownership interest) in the Borrower may be made by the Borrower or its members

without the prior written consent of RUS and no transfer, whether individually or in the aggregate, of any membership units (or any other ownership interest) in the Borrower which will result in the transfer of more than 49% of the equity interests (of whatever nature, including voting and non-voting) in the Borrower may be made by the Borrower or its members without the prior written consent of RUS.

#### **Section 6.4 Additional Indebtedness**

The Borrower shall not, without the prior written consent of RUS, incur additional secured or unsecured indebtedness other than (i) purchase money security interests, (ii) unsecured trade indebtedness and (iii) other debt arising in the ordinary course of business. Indebtedness under items (i), (ii), and (iii) in the aggregate shall not exceed five percent (5%) of the Borrower's consolidated total assets.

#### **Section 6.5 Negative Pledge**

The Borrower shall not create, incur or suffer any lien, mortgage, pledge, assignment, or other encumbrance on, or security interest on its property, other than Permitted Encumbrances.

#### **Section 6.6 Contracts**

The Borrower shall not, without the prior written consent of RUS, enter into any contract or contracts for the operation, management, or maintenance of all or any part of the Borrower's system, including, without limitation, the Project and shall not enter into any contract for the use by others of all or any part of its system, including, without limitation, the Project.

#### **Section 6.7 Salaries**

Salaries, wages, and other compensation paid by the Borrower for services, and directors', members', managers' or trustees' fees, shall be reasonable and in conformity with the usual practice of entities of the size and nature of the Borrower.

#### **Section 6.8 Extension of Credit**

Except as specifically authorized in writing in advance by RUS, the Borrower will make no advance payments or loans, or in any manner extend its credit, either directly or indirectly, with or without interest, to any of its directors, trustees, officers, employees, stockholders, members, managers, Affiliates or Affiliated companies; provided, however, that the Borrower may make an investment for any purpose described in section 607(c)(2) of the Rural Development Act of 1972 (including any investment in, or extension of credit, guarantee, or advance made to an Affiliated Company that is used by such Affiliate for such purpose) to the extent that, immediately after such investment: (1) the aggregate of such investments does not exceed one-third of the Net Worth and (2) the Borrower's Net Worth is at least twenty (20) percent of its Total Assets.

#### **Section 6.9 Distributions or Withdrawals**

- (a) The Borrower shall not, without the prior written approval of RUS, make any membership withdrawal, unit redemptions, or other type of profit allocation to its members, if it is a limited liability company, nor make any dividend, stock, capital, capital credit or other distribution in the nature of an investment, guarantee, extension of credit, loan or advance payment on obligations, if it is a corporation or cooperative (all such distributions being hereinafter collectively called "Distributions"); provided, however, the Borrower may make a Distribution after 75% of the Loan funds have been expended as approved if after such Distribution, the Borrower's Net Worth is equal to at least twenty percent (20%) of its Total Assets and the amount of all such Distributions during the calendar year does not

exceed twenty-five percent (25%) of the Borrower's Net Income or Net Margins for the prior calendar year.

- (b) *Additional Negative Restrictions.* The Borrower shall comply with the additional negative restrictions on Distributions and Withdrawals set forth in Schedule I hereto.

**Section 6.10 Changing Principal Place of Business, Place of Conducting Business, or Type of Organization**

The Borrower shall not change its principal place of business, place of conducting business, or type of organization without the prior consent of RUS.

**Section 6.11 Changing Name or Place of Incorporation or Organization**

The Borrower shall not change its legal name or place of incorporation or organization without giving RUS sixty (60) days prior written notice.

**Section 6.12 Changing Service Rates**

Subject to Section 10.2 herein, the Borrower shall not change any of its Service Rates without prior written approval by RUS.

**Section 6.13 Historic Preservation**

The Borrower shall not, without the prior written consent of RUS, use any Advance to construct any facility which shall involve any district, site, building, structure or object which is included in, or eligible for inclusion in, the National Register of Historic Places maintained by the Secretary of the Interior pursuant to the Historic Sites Act of 1935 and the National Historic Preservation Act of 1966.

**Section 6.14 Limitations on Using Non-FDIC Insured Depositories.**

Without the prior written approval of RUS, the Borrower shall not place the proceeds of the Loans or any loan which has been made or guaranteed by RUS in the custody of any bank or other depository that is not insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS.

**Section 6.15 Affiliated Transactions**

The Borrower shall not enter into any transaction, contract, or dealing with an Affiliate of the Borrower or with the Borrower's or Affiliate's directors, trustees, officers, managers, members (if the Borrower is a limited liability company), or other corporate officials, without the prior written consent of RUS. RUS' consent to advance loan funds for affiliated transactions will be limited to an amount which is the lower of cost or market rate and which is subject to verification by RUS and its representatives having access to the books and records of the Affiliate.

**Section 6.16 Preferred Stock**

The Borrower shall not issue any new or additional preferred stock without the prior written approval of RUS, which approval shall not be unreasonably withheld if such stock issuance, in RUS' sole opinion, would not be considered a debt instrument under generally accepted accounting principles.

**Section 6.17 Environmental Reports**

The Borrower shall not commence any construction activities, including the clearing of land, until RUS has reviewed and approved site-specific Environmental Reports.

**Section 6.18 Additional Negative Covenants**

The Borrower shall comply with the additional negative covenants set forth in Schedule I hereto.

**ARTICLE VII - LENDER'S RIGHTS**

**Section 7.1 Termination of Loan Offer**

RUS, in its sole discretion, may terminate the offer to make the Loan(s) if it does not receive the Loan Documents, duly executed on behalf of the Borrower and all conditions in Section 4.1 hereof are not satisfied within one hundred twenty (120) days from the date hereof.

**Section 7.2 Audits and Compliance Reviews**

After giving prior notification to the Borrower, RUS has the right to conduct compliance reviews and audits of the Borrower to assure compliance with the Loan Documents and RUS Regulations.

**Section 7.3 Disallowed Expenditures**

Upon a determination by RUS that the Borrower did not utilize the Loan in the manner and exclusively for the Project as approved by RUS, RUS may, in its sole discretion:

- (a) Disallow all or a part of the expenditures and disbursements of the Loan and require the Borrower to deposit such funds in the Pledged Deposit Account to be applied toward other approved Project purposes or to reimburse the Government, as provided in Section 5.3 hereof;
- (b) Suspend making Advances;
- (c) Take any other action RUS determines to be necessary including, without limitation, exercising any right or remedy available under the Loan Documents or law.

**Section 7.4 Suspension of Advances**

RUS may, in its absolute discretion, suspend making Advances hereunder, if:

- (a) RUS determines that an event has occurred that is likely to have a Material Adverse Effect on the Borrower;
- (b) The Borrower has not complied with the reporting requirements of Section 5.8 hereunder; or
- (c) The construction and/or installation of the Project has not materially conformed to the Build-Out Schedule.

**Section 7.5 Payment Extensions**

RUS may, at any time or times in succession without notice to or the consent of the Borrower and upon such terms as RUS may prescribe, grant to any person, firm or entity who shall have become obligated to pay all or any part of the principal of or interest on any note held by or indebtedness owed to RUS or who may be affected by the lien created by the Loan Documents, an extension of the time for the payment of such principal or interest, and after any such extension the Borrower will remain liable for the payment of such note or indebtedness to the same extent as though it had at the time of such extension consented thereto in writing.

## ARTICLE VIII - EVENTS OF DEFAULT

### Section 8.1 Events of Default

The following shall be events of default (each an "Event of Default") under this Agreement:

- (a) Representations and Warranties. Any representation or warranty made by the Borrower in Loan Documents or any certificate furnished to RUS under the Loan Documents, or in the Application shall prove to have been incorrect in any material respect at the time made;
- (b) Non-Payment. The nonpayment of any required and due installment of interest on, or principal of, any Note, whether by acceleration or otherwise, which continues for five (5) Business Days, as such term is herein defined;
- (c) Corrective Actions. Default by the Borrower in the observance or performance of Section 5.13;
- (d) Limited Liability Companies. Default by the Borrower or its members in the observance or performance of Section 6.3;
- (e) Other Covenants. Default by the Borrower in the observance or performance of any other covenant or agreement contained in any of the Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by RUS;
- (f) Adverse Effects. The Borrower shall forfeit or otherwise be deprived of its charter, articles of organization, franchises, permits, easements, consents or licenses required to carry on any material portion of its business or the Borrower files for or an event occurs which can reasonably be expected to result in its dissolution or termination;
- (g) Other Obligations. Default by the Borrower in the payment of any obligation, whether direct or contingent, for borrowed money in excess of ten thousand dollars (\$10,000.00) or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation which default shall have resulted in such obligation becoming or being declared due and payable prior to the date on which it would otherwise be due and payable;
- (h) Bankruptcy. A court having jurisdiction in the premises shall enter a decree or order for relief with respect to the Borrower in an involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect: (1) appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official, or (2) ordering the winding up or liquidation of its affairs; or the Borrower shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors;
- (i) Dissolution or Liquidation. Other than as provided in the immediately preceding subsection, the dissolution or liquidation of the Borrower, or the filing of such by the Borrower;
- (j) Impaired Business. The failure by the Borrower to promptly forestall or remove any execution, garnishment or attachment of such consequence as shall impair its ability

to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within thirty (30) days;

- (k) Payment of Final Judgment. A final judgment in an amount of ten thousand dollars (\$10,000.00) or more shall be entered against the Borrower and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days; and/or
- (l) Construction and/or Installation. The failure by the Borrower to materially comply with the Build-Out Schedule, as may be amended with RUS consent.

## ARTICLE IX - REMEDIES

### Section 9.1 Generally

Upon the occurrence of an Event of Default, RUS may pursue all rights and remedies available to RUS that are contemplated by the Loan Documents in the manner, upon the conditions, and with the effect provided in the Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages. Nothing herein shall limit the right of RUS to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default listed in Article VIII hereof. Each right, power and remedy of RUS shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

### Section 9.2 Remedies

In addition to the remedies referred to in Section 9.1 hereof, upon the occurrence of an Event of Default, RUS may:

- (a) Refuse to make any advance or further advance on account of the Loan, but any advance thereafter made by RUS shall not constitute a waiver of such default;
- (b) Declare all unpaid principal of and all interest accrued on the Note(s) to be immediately due and payable and upon such declaration all such principal and interest shall become due and payable immediately and/or
- (c) Terminate the obligation to further advance on account of the Loan.

## ARTICLE X - MISCELLANEOUS

### Section 10.1 Notices

All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Addresses for Notices of the respective parties are as follows:

RUS  
Rural Utilities Service  
United States Department of Agriculture  
1400 Independence Avenue, S.W.  
Washington, D.C. 20250-1500  
Attention: Administrator  
Fax: (202) 720-1725

Borrower  
See Schedule 1

With a copy to:  
Rural Utilities Service  
United States Department of Agriculture  
1400 Independence Avenue, S.W.  
Stop 1599, Room No. 2868  
Washington, D.C. 20250-1599  
Attention: Kenneth Kuchno  
Fax: (202) 690-4389

With a copy to:  
See Schedule 1

#### **Section 10.2 Notice to RUS; Objection of RUS**

Before undertaking any transaction described in Sections 5.14(e)-(f) or 6.12, the Borrower shall give to the RUS: (i) notice in writing describing in reasonable detail the proposed transaction and clearly stating that this transaction is covered by this Section 10.2 and (ii) drafts of any documents to effect such transaction. If the RUS delivers to the Borrower written notice that it objects to the proposed transaction within sixty (60) days, the Borrower shall not complete the transaction without RUS approval. If the RUS does not deliver to the Borrower an objection within that time, the Borrower may proceed with the action as if RUS had approved the action.

#### **Section 10.3 Expenses**

To the extent allowed by law, the Borrower shall pay all costs and expenses of RUS, including reasonable fees of counsel, incurred in connection with the enforcement of the Loan Documents or with the preparation for such enforcement if RUS has reasonable grounds to believe that such enforcement may be necessary.

#### **Section 10.4 Late Payments**

If payment of any amount due hereunder is not received at the United States Treasury in Washington, DC, or such other location as RUS may designate to the Borrower within five (5) Business Days after the due date thereof or such other time period as RUS may prescribe from time to time in its policies of general application in connection with any late payment charge (such unpaid amount being herein called the "delinquent amount", and the period beginning after such due date until payment of the delinquent amount being herein called the "late-payment period"), the Borrower shall pay to RUS, in addition to all other amounts due under the terms of the Notes, the Mortgage and this Agreement, any late payment charge as may be fixed by RUS Regulations from time to time on the delinquent amount for the late-payment period.

#### **Section 10.5 Filing Fees**

To the extent permitted by law, the Borrower agrees to pay all expenses of RUS (including the fees and expenses of its counsel) in connection with the filing or recordation of all financing statements and instruments as may be required by RUS in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to recordation of any document or instrument in connection herewith. Borrower agrees to save harmless and indemnify RUS from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by RUS in connection with this Agreement. The provisions of this section shall survive the execution and delivery of this Agreement and the payment of all other amounts due hereunder or due on the Notes.

#### **Section 10.6 No Waiver**

No failure on the part of RUS to exercise, and no delay in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise by RUS of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.



**Section 10.7 Governing Law**

This Agreement shall be governed by and construed in accordance with applicable federal law and, in the absence of controlling federal law, by the laws of the State identified in the first paragraph herein, except those that would render such choice of law ineffective.

**Section 10.8 Consent to Jurisdiction**

The Borrower hereby irrevocably submits to the jurisdiction of the U.S. District Court for the District of Columbia and the US Court of Appeals for the Federal Circuit (both the "DC Federal Courts") for any action or proceeding arising out of or relating to this Agreement, and hereby irrevocably agrees that all claims in respect of such action or proceeding shall be heard and determined in such federal courts. The Borrower irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Borrower's address set forth in Schedule 1. The Borrower hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement brought in the DC Federal Courts and hereby further irrevocably waives and agrees not to plead or claim in such court that any such action or proceeding brought in any such court has been brought in a forum *non conveniens*. Nothing herein shall affect the right of the Government to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Borrower in its own jurisdiction.

**Section 10.9 Waiver of Jury Trial**

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT, OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, SECURED PARTY, OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

**Section 10.10 Holiday Payments**

If any payment to be made by the Borrower hereunder shall become due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 10.11 Rescission**

The Borrower may elect not to borrow the Loan, in which event RUS shall release the Borrower from its obligations hereunder, provided the Borrower complies with such terms and conditions as RUS may impose for such release.

**Section 10.12 Successors and Assigns**

- (a) This Agreement shall be binding upon and inure to the benefit of the Borrower and RUS and their respective successors and assigns, except that the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of RUS.

- (b) Pursuant to federal claims collection laws, RUS' claims hereunder may be transferred to other agencies of the United States of America; in the event of such a transfer, all rights and remedies hereby granted or conferred on RUS shall pass to and inure to the benefit of any such successor agency.

**Section 10.13 Complete Agreement; Waivers and Amendments**

Subject to RUS Regulations, this Agreement and the other Loan Documents are intended by the parties to be a complete and final expression of their agreement. However, RUS reserves the right to waive its rights to compliance with any provision of this Agreement and the other Loan Documents. No amendment, modification, or waiver of any provision hereof or thereof, and no consent to any departure of the Borrower herefrom or therefrom, shall be effective unless approved in writing by RUS in the form of either a RUS Regulation or other writing signed by or on behalf of RUS, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

**Section 10.14 Headings**

The headings and sub-headings contained in the titling of this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 10.15 Severability**

If any term, provision, condition, or any part thereof, of this Agreement, Note(s) or the Security Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision, or condition nor any other term, provision, or condition, and this Agreement, the Note(s), and the Security Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 10.16 Right of Setoff**

Upon the occurrence and during the continuance of any Event of Default, RUS is hereby authorized at any time and from time to time, without prior notice to the Borrower, to exercise rights of setoff or recoupment and apply any and all amounts held or hereafter held, by RUS or owed to the Borrower or for the credit or account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing hereunder or under the Note(s). RUS agrees to notify the Borrower promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of RUS under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which RUS may have. Borrower waives all rights of setoff, deduction, recoupment or counterclaim.

**Section 10.17 Schedules and Attachments**

Each Schedule and Attachment attached hereto and referred to herein is each an integral part of this Agreement.

**Section 10.18 Authority of Representatives of RUS**

In the case of any consent, approval or waiver from RUS that is required under this Agreement or any other Loan Document, such consent, approval or waiver must be in writing and signed by an authorized RUS representative to be effective. As used in this section, "authorized RUS representative" means the Administrator of RUS, and also means a person to whom the Administrator has officially delegated specific or general authority to take the action in question.

**Section 10.19 Amendment of Laws and RUS Regulations**

Nothing contained herein shall restrict in any way RUS' right to amend, rescind or supplement any of the RUS Regulations or to seek such changes to existing laws.

**Section 10.20 Term**

This Agreement shall remain in effect until one of the following two events has occurred:

- (a) The Borrower and RUS replace this Agreement with another written agreement; or
- (b) All of the Borrower's obligations under this Agreement have been discharged and paid.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

ITS TELECOMMUNICATIONS SYSTEMS, INC.

by   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

(Seal)

Attested to by:   
Secretary

UNITED STATES OF AMERICA  
by   
Acting Administrator Administrator  
of the Rural Utilities Service

## SCHEDULE 1

### Article II Representations and Warranties

1. Paragraph (i) Borrower's principal place of business: **15925 SW Warfield Blvd.  
Indiantown, Florida 34956**
2. Paragraph (j) Borrower's Organization Number: **367658**
3. Paragraph (k) Borrower's Subsidiaries: **None**
4. Paragraph (k) Borrower's Parent: **POSTCO, Inc.**

### Article III The Loans

1. Section 3.1(a) Loan amount: **\$8,136,000**
2. Section 3.1(b) Loan portion at the cost-of-money interest rate: **\$8,136,000**
3. Section 3.1(b) Loan portion at the four percent (4%) rate of interest: **None**

### Article IV Conditions Precedent to Loan Closing

1. Section 4.1(d) level of funds required on deposit in accordance with 7 C.F.R. 1738.20(b): **None**
2. The Build-Out Plan of Section 4.1(i) **IS NOT** required.
3. The additional Build-Out Plan requirements of Section 4.1(i)(3): **None**
4. The additional conditions referred to in Section 4.1(l) are as follows:

#### Conditions Precedent to Release of Funds

5. Section 4.2(b) amount of fidelity bond coverage: **\$1,220,400**
6. The additional conditions referred to in Section 4.2(d) are as follows:

**No loan funds will be released until ITS has entered into an agreement with POSTCO, Inc., whereby ITS agrees not to repay any portion of its indebtedness to POSTCO, Inc., without the prior written consent of RUS. RUS must receive a fully executed copy of such agreement, in form and substance satisfactory to RUS, prior to the release of RUS loan funds. RUS shall be name a third-party beneficiary in the agreement between Postco, Inc. and ITS.**

#### Conditions Precedent to Individual Advances

7. Section 4.2(j) Required permits, licenses, franchise, and other approvals: **None**
8. The additional conditions to advance referred to in Section 4.3(k) are as follow:
  1. **No loan funds will be advanced for new cable installation on new rights-of-way until project specific Environmental Reports have been approved by RUS.**
  2. **No loan funds will be advanced for construction in proposed new developments until executed agreements between the Borrower and the Developers and/or Homeowners' Associations have been submitted to RUS.**

Article V Affirmative Covenants

1. Section 5.4 Additional Funds: **None**
2. Section 5.4 Additional Purposes: **None**
3. Section 5.8(b) Additional Reporting Dates: **None**
4. Section 5.11 TIER: **1.61**
5. Section 5.11 TIER Commencement Date: **December 31, 2011**
6. The additional affirmative covenants referred to in Section 5.19 are as follows: **None**

Article VI Negative Covenants

1. The additional negative restrictions on Distributions and Withdrawals referred to in Section 6.9(b) are as follows: **None**
2. The additional negative covenants referred to in Section 6.18 are as follows:
  - a. **No additional funds can be drawn on the Line of Credit with the Rural Telephone Finance Cooperative (RTFC) without the prior written consent of RUS.**
  - b. **The Borrower shall make no payments on the outstanding indebtedness to Postco, Inc., without the prior written consent of RUS.**

Article X Miscellaneous

1. Section 10.1 Borrower's address for purposes of notification:  

<b>Contact Person:</b>	<b>Mr. Jeffrey S. Leslie</b>
<b>Title:</b>	<b>President</b>
<b>Borrower Name:</b>	<b>ITS Telecommunications Systems, Inc.</b>
<b>Address:</b>	<b>15925 SW Warfield Blvd. Indiantown, Florida 34956</b>
<b>Phone:</b>	<b>(772) 597-2104</b>
<b>Fax:</b>	<b>(772) 597-2110</b>
2. Section 10.1 Address for Borrower's notification copy: **None**



ATTACHMENT 1 - RUS BULLETIN 1738-2

Rural Development  
United States Department of Agriculture

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## RURAL UTILITIES SERVICE

*RUS Bulletin 1738-2*

**Rural Broadband Access Loan and Loan Guarantee  
Advance and Construction Procedures Guide**



*According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-XXXX. The time required to complete this information collection is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.*

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## GENERAL

This bulletin implements and explains the provisions of the loan documents containing the requirements and procedures to be followed by a borrower for constructing broadband facilities using RUS broadband loan funds. A borrower shall maintain accounting and plant records sufficient to document the cost and location of all construction and to support loan fund advances and disbursements. The standard Loan Documents also contain provisions regarding advances and disbursement of broadband loan funds by borrowers. This bulletin also implements certain provisions by setting forth requirements and procedures to be followed by the borrowers in obtaining advances and making disbursements of loan funds.

## ABBREVIATIONS

For purpose of this bulletin:

- *CFR* stands for Code of Federal Regulations.
- *FRS* stands for RUS Form 481 (OMB control number 0572-0023), *Financial Requirement Statement*.
- *GFR* stands for RUS general field representative.
- *P&S* stands for plans and specifications.
- *Pub. L.* stands for Public Law.
- *RE Act of 1938* stands for Rural Electrification Act of 1938.
- *RUS* stands for Rural Utilities Service.
- *U.S.C.* stands for United States Code.

## DEFINITIONS

For purposes of this bulletin:

- *Accept; Acceptance* means RUS' determination that a product meets RUS requirements in accordance with RUS regulations. Accepted products are included in the List of Materials.
  - *Advance* means transferring funds from RUS to the borrower's deposit account.
  - *Architect* means a person registered as an architect in the state where construction is performed.
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- *Bid guarantee* means a bid bond or certified check required of contractors bidding on construction work to ensure that the bidder, if successful, will furnish a performance bond.
  - *Borrower* means any organization with an outstanding loan made or guaranteed by RUS, or that is seeking such financing.
  - *Buy American Requirement* means RUS' requirements for compliance with the "Buy American" provision of the Rural Electrification Act of 1938 (June 21, 1938, Ch. 554, Title IV 401, 52 Stat. 818), as amended.
  - *Broadband Service* means a minimum transmission rate as defined in the current NOFA applicable to the Broadband Loan Program.
  - *Closeout documents* mean the documents required to certify satisfactory completion of all obligations under a contract.
  - *Construction* means purchase and installation of broadband facilities in a borrower's system.
  - *Contract* means the agreement between the borrower and an independent contractor covering the purchase and installation of broadband facilities for a borrower's system using an RUS contract form.
  - *Contract forms* mean RUS requirements to use standard forms of contracts for construction, procurement, engineering services, and architectural services, if the construction, procurement or services are financed by RUS.
  - *Contract construction* means construction performed using an RUS contract form.
  - *Core network and access equipment* mean any switching or transmission equipment used primarily for the delivery of broadband service.
  - *Deposit account* means an account required by the loan contract into which all RUS loan funds are advanced.
  - *Disbursement* means payment by the borrower out of the deposit account for approved loan purposes.
  - *Domestic product* means a product that is manufactured in the United States or in any eligible country, substantially all from articles, materials, or supplies mined, produced, or manufactured, as the case may be, in the United States or in any eligible country. An "eligible country" is any country that applies with respect to the United States an agreement ensuring reciprocal access for United States products and services and United States suppliers to the market of that country, as determined by the United States Trade Representative.
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- *Engineer* means a person registered as an engineer in the state where construction is performed, or a person on the borrower's staff authorized by RUS to perform engineering services.
  - *In-house engineering* means any preloan or postloan engineering services performed by the borrower's staff.
  - *Installation* means the act of setting up or placing in position equipment for service or use in the borrower's system.
  - *Interim construction* means the construction, improvement, or acquisition of facilities and equipment after RUS determines that an application is complete, but prior to release of loan funds.
  - *Labor and materials* means all the labor and materials required for construction.
  - *Large-scale construction* means any construction project, excluding buildings or structures that are estimated to cost more than \$500,000 including all labor and materials.
  - *List of Materials* means collectively, the latest edition, as supplemented, of RUS Informational Publication 344-2, "List of Materials Acceptable for Use on Telecommunications Systems of RUS Borrowers." The List of Materials is published in January of every other year with supplements published every other month. The List of Materials is available on a subscription basis from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20250. The List of Materials is also available on the Internet at <http://www.usda.gov/rus/telecom/materials/listomat.htm>. This electronic version is updated after each Committee A meeting in which products are considered for acceptance or deletion from the List of Materials.
  - *Loan* means any broadband loan made or guaranteed by RUS.
  - *Loan documents* mean the documents covering a loan made by RUS, including the loan contract, note and mortgage or other security documents between the borrower and RUS.
  - *Loan funds* means funds provided by RUS through a loan.
  - *Non-domestic product* means any product other than a domestic product.
  - *Outside plant* means the part of the telecommunications network that is physically located outside of telecommunication buildings. This includes cable, conduits, poles and other supporting structures and certain other associated equipment items.
  - *Performance bond* means a surety bond on a form satisfactory to RUS guaranteeing the contractor's faithful performance of a contract. (See 7 CFR Part 1788.)
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- *Plans and specifications* means an RUS contract form, the appropriate specifications, and such additional information and documents needed to provide a clear, accurate, and complete understanding of the construction to be performed.
- *Responsive bid* means a bid that complies with the plans and specifications.
- *RUS* means the Rural Utilities Service; an agency of the United States Department of Agriculture and successor to the Rural Electrification Administration.
- *Small-scale construction* means any construction project that is estimated to cost \$500,000, or less, including all labor and materials.
- *Subcontract* means a secondary contract undertaking some of the obligations of a primary contract. Under RUS contract forms, the primary contractor bears the full responsibility for the performance of the subcontractor.
- *System design* means supporting data for a loan application.
- *Technical acceptance* means a letter given to a manufacturer by Committee A upon determining that a nondomestic product meets RUS requirements for financing upon meeting the Buy American requirement. Under this requirement, a nondomestic bid is in compliance with the "Buy American" provision of 1938, as amended, if the bid is lower than the lowest domestic bid by at least 6% of its material content.
- *Work order construction* means any construction performed by the borrower's employees, pursuant to its work order procedure, with the borrower furnishing all materials, equipment, tools, and transportation.

## **CONSTRUCTION PROCEDURES**

### **1 GENERAL**

All construction must conform to the approved system design and shall be covered by an Environmental Report prepared in accordance with 7 CFR Part 1794 and approved by RUS. No construction shall commence until all necessary local, state and federal requirements have been satisfied.

Materials and equipment purchased or construction performed prior to a determination by RUS that the loan application is complete will not be eligible for financing. Only new materials and equipment may be financed with loan funds, unless otherwise approved in writing by RUS.

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a. Buy American

All materials and equipment financed with loan funds are subject to the "Buy American" provisions (7 U.S.C. 901 *et seq.* as amended in 1938), as amended.

For RUS financing of a product, RUS requires that the product complies with the "Buy American" provision of the RE Act of 1938, as amended. A product complying with both of the provisions listed below complies with this "Buy American" provision and is considered a domestic product by RUS. If the product does not meet either of the two conditions, the product is then classified as nondomestic for purposes of RUS financing. These conditions are:

- (1) Final assembly or manufacture of the product, as the product would be used by an RUS borrower, is completed in the United States or eligible countries; and
- (2) The cost of the United States and eligible countries' components (in any combination) within the product is more than 50 percent of the total cost of all components utilized in the product. The cost of non-domestic components (components not manufactured within the United States or eligible countries) which are included in the finished product must include all duties, taxes, and delivery charges to the point of assembly or manufacture.

A bid for a nondomestic product is considered to be in compliance with the "Buy American" provision by RUS if the nondomestic bid is lower than the lowest domestic bid by at least six percent of the cost of the material content of the nondomestic bid. This six percent cost differential is added to the nondomestic bid for the purpose of determining the low bid only.

b. List of Materials

RUS will only finance equipment or materials that have been accepted and included in Informational Publication 344-2, "*List of Materials Acceptable for Use on Telecommunications Systems of RUS Borrowers*" (List of Materials) or equipment that has received RUS technical acceptance, unless otherwise approved by RUS in writing prior to its purchase. The borrower may use loan funds for equipment that has not been accepted or technically accepted by RUS when the List of Materials does not include similar equipment to the equipment proposed by the borrower. When purchasing a product not listed on Informational Publication 344-2, the borrower shall be responsible for ensuring that this equipment meets the RUS Buy American requirement.

If the borrower wishes to use a non-listed product when similar products are listed on the List of Materials, a written request shall be submitted to RUS stating the

cost of the product to be purchased along with the justification for a waiver. This waiver must be granted prior to commencing any construction activities including entering into an agreement with the supplier.

c Interim Construction

Once RUS has determined that an application is complete, the loan applicant may proceed with interim construction for construction that must be performed immediately. This should not be construed as a commitment that RUS will make loan funds available. To ensure that interim construction is eligible for reimbursement with loan funds the borrower must comply with the following requirements:

- (1) Equal employment opportunity requirements in RUS Bulletin 320-15;
- (2) Interim construction is covered by an Environmental Report approved by RUS prior to construction;
- (3) Plans and specifications for the interim construction include RUS Form 375, found in Exhibit A, notifying the contractors or manufactures that RUS loan funds have not been approved and that other sources of financing are available.
- (4) All RUS construction procedures in this bulletin (RUS Bulletin 1738-2) are followed to complete the construction.

d Insurance

A performance bond is required for construction exceeding \$250,000, as indicated in 7 CFR Part 1788, Subpart C.

The borrower is responsible for ensuring that its contractor and engineer comply with all the insurance and bond requirements of 7 CFR Part 1788, Subpart C.

e Title Clearance

For any building construction over \$250,000, the borrower shall determine that title to the real estate has been approved by RUS before releasing the invitations to bid.

f Software License

As part of the equipment purchase, the contractor may require that the borrower enter into a software license agreement for the use of the equipment. For such agreement, RUS requires the use of RUS Form 390, *Software License Agreement – Special Equipment Contract*, found in Exhibit A.

**g**     Subcontracts

RUS construction contract Forms 257, 397, and 515 contain provisions for subcontracting. The contractor should refer to the individual contracts for the amounts and conditions on subcontracting.

RUS Form 282, Subcontract, shall be used for subcontracts. Minor modifications or additions may be made to the subcontract form, as long as they do not change the terms and conditions of the primary contract. Any alterations to the subcontract shall be initialed and dated by the parties executing the subcontract. These alterations shall be noticeable by using italic print or any other means that accomplished this purpose.

Subcontracts shall be prepared in triplicate. All copies shall be executed by the contractor and subcontractor and consented to by the borrower and surety, if applicable. Subcontracts are not subject to RUS approval provided that they are in accordance with the provisions of the appropriate RUS construction contract. Upon execution, one copy each will be sent to the borrower, contractor, and subcontractor.

As stated in RUS Forms 257, 397, and 515, the contractor shall bear full responsibility for the acts and omissions of the subcontractor and is not relieved of any of the contractual obligations to the borrower and to the Government.

**h**     Amendments

The borrower shall obtain RUS approval before execution of any amendment to a contract if:

- (1)     The amendment alters the terms and conditions of the contract or changes the scope of the project covered by the contract regardless of the amount of the contract before amendment;
- (2)     The amendment by itself (or together with preceding amendments) increases the original contract price by 20% or more. In this case, a bond extension will be required to bring the penal sum of the bond to the total amended contract price; or
- (3)     The amendment causes an unbonded contract to require a contractor's performance bond. This would occur when an amendment increases the contract price to an amount requiring a performance bond per 7 CFR Part 1788, Subpart C.

Advance RUS approval to execute other contract amendments is not required. These amendments may be submitted to RUS at any time prior to closeout. To receive an advance of funds based on an amended contract amount, the borrower



may submit three copies of the amendment to RUS for approval. For each amendment executed, the borrower shall make certain that:

- (1) The contractor's bond covers the additional work to be performed; and
- (2) The contractor is licensed to do business in the county and state where the construction is proposed.

i Records

Records supporting construction financed by RUS shall be retained until audited and approved by RUS.

Records related to plant in service must be retained until the facilities are permanently removed from utility service, all removal and restoration activities are completed, and all costs are retired from the accounting records unless accounting adjustments resulting from reclassification and original costs studies have been approved by RUS or other regulatory body having jurisdiction.

Life and mortality study data for depreciation purposes must be retained for 25 years or for 10 years after plant is retired, whichever is longer.

2 ENGINEERING AND ARCHITECTURAL SERVICES

a General

Borrowers shall obtain architectural and engineering services only from persons or firms who are not affiliated with, and have not represented a contractor, vendor or manufacturer who may provide labor, materials, or equipment to the borrower under any current loan.

All engineering services required by a borrower, including inspection and certification, shall be rendered by an engineer selected by the borrower and licensed in the where the facilities will be located or by qualified employees on the borrower's staff authorized by RUS to perform such services.

b. Engineering Services from an Outside Consultant

Engineering services performed by an outside consultant shall be covered under an RUS Form 217, *Postloan Engineering Services Contract - Telecommunications*, or RUS Form 245, *Engineering Service Contract - Special Services*.

Three copies of RUS Form 245 or 217, executed by the borrower and the engineer, shall be forwarded to RUS for approval. RUS will not approve the contract if, in RUS' judgment:

- (1) Unacceptable modifications have been made to the contract form;
- (2) The contract will not accomplish loan purposes;
- (3) The engineering service fees are unreasonable; or
- (4) The contract presents unacceptable loan security risk to RUS.

If RUS approves the contract, RUS will send one copy to the borrower and one copy to the engineer.

c Closeout

Upon completion of all services required under the RUS Form 217 contract, the borrower shall obtain from the engineer three copies of RUS Form 506, *Final Statement of Engineering Fee*. For RUS Form 245, the borrower shall obtain three copies of a final statement of fees from the engineer. If the statement is satisfactory, the borrower shall sign all copies and send three to RUS for approval. After RUS approval of the final statement of fees, RUS shall send one copy to the borrower and one copy to the engineer.

d In-House Engineering

When the proposed construction is such that the engineering involved is within the capabilities of employees on the borrower's staff, borrowers may request RUS approval to provide such services. The request shall include:

- (1) A description of services to be performed;
- (2) The name and qualifications of the employee to be in charge. RUS requires this employee to meet the experience requirements for registered engineers. In the absence of specific experience requirements, this employee should have at least eight years experience in the design and construction of telecommunication facilities, with at least two years of the work experience at a supervisory level. RUS does not require professional registration of this employee, but this does not relieve the borrower from compliance with applicable state registration requirements, which may require a licensed individual to perform such service;

- (3) The names, qualifications, and responsibilities of other principal employee(s) who will be associated with providing the engineering services; and
- (4) A letter signed by an authorized representative of the borrower requesting in-house engineering approval and certifying the supporting information.

RUS shall notify the borrower by letter of approval or disapproval to perform in-house engineering. The letter shall set forth any conditions associated with an approval or the reasons for disapproval. RUS approval of in-house engineering for construction shall be only for the specific projects named in the notice of approval.

e Architectural Services

The borrower shall be responsible for selecting an architect, licensed in the state where the building will be located, to perform the architectural services required in the design and construction of buildings.

The borrower shall use either RUS Form 220 or RUS Form 217 when contracting for architectural services.

Three copies of RUS Form 220 or Form 217, executed by the borrower and the architect, shall be forwarded to RUS for approval. RUS will not approve the contract if, in RUS' judgment:

- (1) Unacceptable modifications have been made to the contract form;
- (2) The contract will not accomplish loan purposes;
- (3) The architectural service fees are unreasonable; or
- (4) The contract presents unacceptable loan security risk to RUS.

If RUS approves the contract, RUS will send one copy to the architect and one copy to the borrower.

f. Closeout

RUS borrowers shall obtain two copies of a completed RUS Form 284, *Final Statement of Architect's Fees*, when all services and obligations required under the architectural services contract have been completed.

If RUS Form 284 and supporting data are satisfactory, the borrower shall approve the statement, sign both copies, and send one copy to RUS.

### 3 SMALL-SCALE CONSTRUCTION

#### a General

Construction may be performed using the work order method or by an outside contractor. When using an outside contractor, either RUS Contract Form 773, *Miscellaneous Construction Work and Maintenance Services*, or an appropriate RUS contract (RUS Form 257, 397, or 515) shall be used. When using an RUS Form (257, 397, or 515), the procedures noted in the large-scale construction section shall be followed. The inspection and reimbursement procedures for work order and RUS Form 773 construction are the same and are listed at the end of this section.

Unless otherwise approved by RUS, a borrower shall finance small-scale construction with general funds and obtain reimbursement with loan funds when construction is completed and properly executed closeout documents have been submitted to RUS. If a borrower satisfies RUS of its inability to finance the construction temporarily with general funds, RUS may establish, on a case-by-case basis, a work order fund in an amount not exceeding \$500,000, for specific construction projects. The work order fund will be closed upon receipt of an FRS and the executed Forms 771a for the specific projects for which the work order fund was established.

#### b Buildings other than Towers

For unattended buildings that are estimated to cost \$50,000, or less, the borrower shall use RUS Form 773 contract construction procedures that are discussed in this section of this bulletin. For all other buildings, unattended or attended, the borrower must use RUS Form 257, *Contract to Construct Building*. Procedures for construction under RUS Form 257 are included under Large-scale construction, in the building section.

#### c Towers

For all tower construction, the borrower shall use RUS Form 773 contract construction procedures.

#### d. RUS Form 773 Contract Construction Procedures

The borrower shall prepare RUS Contract Form 773, without modifications, and attach any diagrams, sketches, and tabulations necessary to specify clearly the work to be performed and who shall provide which materials.

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RUS recommends that borrowers obtain quotations from several contractors before entering into a contract to ensure obtaining the lowest cost. The borrower shall ensure that the contractor selected meets all federal and state licensing requirements, as well as bonding requirements, and that the contractor maintains the insurance coverage required by the contract for the duration of the work. (See 7 CFR Part 1788.)

e Work Order Construction Procedures

Work order construction shall be performed according to all local, state and federal requirements.

As construction is performed, the borrower shall keep daily time and material reports, referenced by the work project number, to record labor and materials used.

f Inspection and Certification

Upon completion and prior to closeout, the borrower shall obtain the engineer's certification on RUS Form 771a. An authorized official of the borrower shall execute the borrower's certification on RUS Form 771a.

g Reimbursement

To request funds for construction completed under the work order construction procedures or RUS Form 773 contract construction procedures, the borrower shall submit an original RUS Form 771a signed or initialed by the GFR, a description of each project, and RUS Form 481, *Financial Requirement Statement (FRS)*. RUS Form 771a should be submitted only with the FRS that it supports.

4 LARGE-SCALE CONSTRUCTION

a General

The borrower shall use RUS Forms 257, 397, and 515 for large-scale construction, except for tower construction. RUS Form 773 contract construction procedures contract shall be used for all tower construction. The construction procedures in this section shall apply to small-scale construction when the borrower chooses to use 257, 397, or 515 contract forms for such construction.

Two methods of procurement are discussed in this section: bidding and negotiated purchase. The borrower shall use bidding when using RUS Form 257 and 515. For purchases on RUS Form 397 the borrower may use either method: bidding or negotiated purchase. Bidding is discussed in the sections describing the RUS Form 257 and 515. The bidding procedures are repeated in each section for the

convenience of the reader. Negotiated purchase is discussed in the section describing the RUS Form 397 construction procedures.

b Building Construction

(1) General

RUS Form 257, *Contract to Construct Buildings*, shall be used for RUS-financed construction of all buildings estimated to cost more than \$50,000. All construction pertaining to the building structure shall be performed under one contract. Separate contracts may be used for planting shrubbery, surfacing of roads and parking areas, and other identifiable parts of the project not pertaining to the building structure. These separate contracts shall also be subject to RUS approval.

If during construction of the building, changes to the P&S results in a cost increase of 20% or more, the borrower shall submit to RUS for approval an amendment to the contract detailing all the changes along with an extension to the contractor's bond covering the increased cost.

The site location, design, and construction of the facilities shall comply with all applicable laws and regulations, including:

- (a) Pub. L. 90-480 (42 U.S.C. 4151) (Access to Physically Handicapped), which requires certain buildings financed with Federal funds be designed and constructed to be accessible to the physically handicapped;
- (b) Pub. L. 91-596 (29 U.S.C. 651) the Occupational Safety and Health Act of 1970. OSHA issues rules and regulations covering occupational safety and health standards for buildings. These regulations are codified in 29 CFR Chapter XVII;
- (c) 7 CFR Part 1794, which provides for compliance with the National Environmental Policy Act (NEPA) and Council on Environmental Quality (CEQ) regulations (40 CFR Parts 1500-1508) implementing the procedural provisions of NEPA, as well as RUS conformance with other laws, regulations, and Executive Orders regarding environmental protection; and
- (d) 7 CFR Part 1792, Subpart C, which requires that the building design comply with applicable seismic design criteria. Prior to the design of buildings, borrowers shall submit to RUS a written acknowledgement from the architect or engineer that the design will comply.

The borrower shall prepare P&S for construction of all buildings. The P&S shall include:

- (a) RUS Contract Form 257, *Contract to Construct Buildings*;
- (b) Complete and detailed specifications covering materials and workmanship;
- (c) A detailed building plan. Where the building is to house electronic apparatus, the detailed plan or specifications shall include the equipment environmental requirements and network equipment required; and
- (d) A site plan for each building showing the building location and giving the legal description of the site. Sufficient information shall be provided for the site to allow RUS to identify this site as the same property for which the borrower submitted a title opinion to RUS. The legal description shall be typed on the site plan. The borrower shall also furnish topographical information and a description of any proposed site development work and show proposed connections for public utilities.

The P&S shall show the identification and date of the model code used for seismic safety design considerations, and the seismic factor used. See 7 CFR Part 1792, Subpart C.

One set of P&S shall be furnished to RUS for approval. RUS shall approve the P&S in writing or notify the borrower of any reason for withholding approval. Upon RUS approval of the P&S, the borrower shall solicit bids from at least three prospective bidders.

The bid documents shall consist of a copy of the approved P&S, including RUS Form 257. The bid document shall set the time for the bid opening.

(2) Bidding

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. Awards shall be made to the bidder whose bid is responsive to the P&S and is most advantageous to the recipient, price, quality and other factors considered. The P&S shall clearly set forth all requirements including all other factors to be used in evaluating bids or proposals that the bidder shall fulfill in order for the bid to be evaluated by the borrower. Any and all bids may be rejected when it is in the borrower's interest to do so. Bidding includes:

(a) Bid Opening Date

The borrower will schedule the bid opening date. The borrower shall wait until receiving RUS approval of the P&S before setting the date. Sufficient time should be allowed for the bidders to examine the project site and prepare their bids. The borrower shall invite the GFR to attend.

(b) Invitations to Bid

The borrower should obtain from its engineer a list of prospective bidders and a recommendation indicating which bidders are considered qualified.

(c) Qualifying Bidders

If the notice and instructions to bidders require that bidders show evidence of meeting certain requirements, the borrower shall qualify bidders before issuing P&S to them.

(d) Review of Bids

The borrower shall review all bids to determine that:

- (1) The bid guarantees are adequate;
  - (2) The bids are responsive to the P&S;
  - (3) All minor errors or irregularities made through inadvertence are corrected or waived. Failing this, the bid shall be rejected as nonresponsive; and
  - (4) In the event of non-minor errors or irregularities, the bid is rejected and the bid price not disclosed.
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(e) Evaluating Bids

The borrower shall consider the same alternates in all bids in determining the low bid.

(f) Rejection

The borrower shall reject:

- (1) All bids if quoted prices are not acceptable or if the specifications were ambiguous and resulted in bidders having different interpretations of the requirements.
- (2) Any bid that is not responsive, or is incomplete, or submitted by an unqualified bidder, or unbalanced between labor and materials or other respects.

(g) Award of Contract

The engineer will review all bids for compliance to the P&S. The borrower shall obtain from the engineer the determination of the selected bid, a tabulation of all bids and the engineer's recommendation for award of the contract. The borrower may award the contract immediately if the following conditions are met:

- (1) The project is included in an approved loan and adequate funds were budgeted in the loan and are available;
- (2) All applicable RUS procedures were followed, including those in the *Notice and Instructions to Bid* in the standard forms of contract; and
- (3) The award is to the lowest responsive bidder.

If the above conditions are not satisfied, the quotes along with the engineer's bid recommendation and bid tabulations must be submitted to RUS for approval. In this case, contracts cannot be executed until RUS has notified the borrower of approval of the bid.

(h) Execution of Contract

The borrower shall submit to RUS three original counterparts of the contract executed by the contractor and borrower. If RUS

approves the contract, it shall return one copy to the borrower and send one copy to the contractor.

### 3 Closeout

Upon completion of construction, the borrower shall complete, with the assistance of its architect or engineer, the documents listed in the following table.

Documents Required to Closeout Construction of Buildings						
RUS Form	Description	Copies prepared by		Distribution		
		Contractor	Architect/Engineer	Borrower	Contractor	RUS
238	Construction or Equipment Contract Amendment (if not previously submitted, send to RUS for approval)	—	3	—	—	3
181 <sup>1</sup>	Certificate of Completion (contract construction)	—	2	1	1	—
231	Certificate of Contractor	1	—	1	—	—
224	Waiver and Release of Lien from each Supplier	1	—	1	—	—
213	Certificate (Buy American)	1	—	1	—	—
—	"As Built" Plans and Specifications <sup>2</sup>	—	1	1	—	—
—	Guarantees, Warranties, Bonds, Operating or Maintenance Instructions, etc.	1	—	1	—	—

<sup>1</sup> RUS has issued a proposed rule in the Federal Register in which it proposes to replace RUS Form 181 with RUS 187. RUS Form 181 will be eliminated. When the proposed rule becomes final, the borrower shall then use RUS Form 187 instead of RUS Form 181.

<sup>2</sup> When only minor changes were made during construction, one copy of a statement to that effect from the Architect will be accepted instead of the "as built" P&S.

If the final cost of the buildings differs from the cost of the approved contract and any amendments, a final amendment reflecting any changes must be submitted to RUS.

Upon completion of the project, the borrower shall obtain from the architect or engineer the closeout certification stating that the project and all required documentation are satisfactory and complete. Use RUS Form 756 in Exhibit A.

After all required RUS approvals are obtained, the borrower shall make final payment under Article III of RUS Form 257.

c Core Network and Access Equipment

(1) General

When purchasing core network and access equipment, borrowers shall use RUS Contract Form 397, *Special Equipment Contract (Including Installation)*. For core network and access equipment RUS will not finance large-scale construction contracts that do not include installation. The borrower may purchase the equipment using either method: negotiated purchase or bidding.

Under the terms of RUS Form 397, the prices do not include any amounts that are or may be payable by the supplier or the borrower on account of taxes imposed upon the sale, purchase or use of equipment, material and software covered by the contracts. If any such tax is paid by the supplier, the contract requires that the amount is to be stated separately on all invoices and paid by the borrower.

The engineer prepares P&S consisting of performance specifications, installation requirements, and application engineering requirements. The borrower shall send one copy of the P&S to RUS for approval. RUS shall approve the P&S in writing or notify the borrower of any reason for withholding approval.

(2) Negotiated Purchase

Following approval of the P&S, the borrower should solicit quotes from at least three suppliers of equipment of different manufacturers. To negotiate for a single quote requires prior written RUS approval. To request RUS approval the borrower may send a letter to RUS, which includes a justification for such sole-source negotiation.

Based upon the engineer's recommendation, the borrower may award the contract if the following conditions are met:

- (a) The project is included in an approved system design; adequate funds were budgeted in the loan; and are available;
- (b) All applicable RUS procedures were followed; and
- (c) The award is to the lowest responsive quote.

If the above conditions are not satisfied, the quotes must be submitted to RUS along with the engineer's recommendation for approval. In this case, contracts cannot be executed until RUS has notified the borrower of approval of the quote.

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The borrower shall send three executed contracts to RUS for approval. After RUS approval of the contract, RUS will return one copy to the borrower and one copy to the supplier.

(3) Closeout

Upon completion of the equipment installation, the borrower and their engineer shall arrange with the supplier for acceptance testing of the equipment. After completion of the acceptance tests by the borrower and the supplier, the borrower and its engineer should review the test results to ensure that the equipment is in conformance with the P&S. All deficiencies must be documented and corrected before the contract can be closed out.

Once the equipment has been accepted, the borrower:

- (a) Assembles and distributes the documents listed in the following table. These documents are required for the closeout of the RUS Form 397 contract.

Documents REQUIRED FOR Closeout of RUS Form 397 Contract						
RUS Form	Description	Copies Prepared by		Distribution		
		Supplier	Engineer	Borrower	Supplier	RUS
238	Construction or Equipment Contract Amendment (If not previously submitted, send to RUS for approval.)	—	3	—	—	3
396	Certificate of Completion—Special Equipment Contract (Including Installation).	—	2	1	—	1
744	Certificate of Contractor and Indemnity Agreement	1	—	1	—	—
213	Certificate (Buy American)	1	—	1	—	—
—	Report in writing, including all measurements and other information required under Part II of the applicable specifications	1	—	1	—	—
—	Set of maintenance recommendations for all equipment furnished under the contract	1	—	1	—	—

- (b) Obtains the contract close out certification from the engineer that the project and all required documentation are satisfactory and complete. (See RUS Form 756 in Exhibit A.)
- (c) Submits a copy of the engineer's RUS Form 756 within 30 days of completion of the project.
- (d) Makes final payment under the payment terms of the contract.

d Outside Plant Construction

(1) General

All large scale outside plant projects must be bid to be eligible for funding. Only outside plant project that qualify for the small-scale construction procedures can be negotiated with a contractor on RUS Form 773.

When performing outside plant construction, borrowers shall use RUS Form 515, *Telecommunications System Construction Contract* using the sealed competitive bidding.

The engineer prepares P&S consisting of the RUS Form 515 and the applicable construction specifications listed below:

- (a) RUS Form 515a (Bulletin 1753F-150), *Specifications and Drawings for Construction of Direct Buried Plant*;
- (b) RUS Form 515b (Bulletin 1753F-151), *Specifications and Drawings for Construction of Underground Plant*;
- (c) RUS Form 515c (Bulletin 1753F-152), *Specifications and Drawings for Construction of Aerial Plant*; and/or
- (d) RUS 515d (Bulletin 1753-153), *Specifications and Drawings for Service Installation at Customer Access Locations*;

In addition the P&S must also include the following items:

- (a) Description of special assembly units and guide drawings, if any;
- (b) Key, detail, and cable layout maps; and
- (c) If applicable, a list of any owner-furnished materials and the associated unit cost, using RUS Form 787.

When the borrower furnishes materials under RUS Form 787, *Supplement A to Construction Contract (RUS Form 515)*, these steps should be followed:

- (a) Materials on hand to be furnished by the borrower shall be released to the contractor at the start of construction. Materials on order, but not yet received, shall be provided to the contractor as they become available. The borrower shall obtain from the contractor a written receipt for all such materials delivered.

- (b) Materials on hand, until released to the contractor, shall be covered by fire and either wind-storm or extended coverage insurance, exclusive of materials in the open and not within 100 feet of any building. Poles, wherever stored, shall be covered by fire insurance. All insured values must be at least 80 percent of the cash value of the property insured.
- (c) Subject to adjustment at the time of final settlement, the borrower shall obtain from the contractor monthly invoices that show credit to the borrower, at the prices quoted in RUS Form 787 for all materials furnished by the borrower and installed by the contractor the preceding month.
- (d) Any materials furnished by the borrower remaining as surplus at the completion of construction shall be returned to the borrower. For such materials, the borrower shall furnish a written receipt to the contractor and credit the contractor at the prices quoted in RUS Form 787."

The borrower shall send one set of P&S for approval. RUS shall approve the P&S in writing or notify the borrower of any reason for withholding approval.

Upon RUS approval of the P&S, the borrower shall solicit bids from at least six prospective bidders. The bid documents shall consist of a copy of the approved P&S, including RUS Form 515.

(2) Bidding

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. Awards shall be made to the bidder whose bid is responsive to the P&S and is most advantageous to the recipient, price, quality and other factors considered. The P&S shall clearly set forth all requirements including all other factors to be used in evaluating bids or proposals that the bidder shall fulfill in order for the bid to be evaluated by the borrower. Any and all bids may be rejected when it is in the borrower's interest to do so. Bidding includes:

(a) Bid opening date

The borrower will schedule the bid opening date. The borrower shall wait until receiving RUS approval of the P&S before setting the date. Sufficient time should be allowed for the bidders to examine the project site and prepare their bids. The borrower shall invite the GFR to attend.

(b) Invitations to bid

The borrower should obtain from its engineer a list of prospective bidders and a recommendation indicating which bidders are considered qualified.

(c) Qualifying bidders

If the notice and instructions to bidders require that bidders show evidence of meeting certain requirements, the borrower shall qualify bidders before issuing P&S to them.

(d) Review of bids

The borrower shall review all bids to determine that:

- (1) The bid guarantees are adequate;
- (2) The bids are responsive to the P&S;
- (3) All minor errors or irregularities made through inadvertence are corrected or waived. Failing this, the bid shall be rejected as nonresponsive; and
- (4) In the event of non-minor errors or irregularities, the bid is rejected and the bid price not disclosed.

(e) Evaluating Bids

The borrower shall consider the same alternates in all bids in determining the low bid.

(f) Rejection

The borrower shall reject:

- (1) All bids if quoted prices are not acceptable or if the specifications were ambiguous and resulted in bidders having different interpretations of the requirements.
- (2) Any bid that is not responsive, or is incomplete, or submitted by an unqualified bidder, or unbalanced between labor and materials or other respects.

(g) Award of Contract

The engineer will review all bids for compliance to the P&S. The borrower shall obtain from the engineer the determination of the selected bid, a tabulation of all bids and the engineer's recommendation for award of the contract. The borrower may award the contract immediately if the following conditions are met:

- (1) The project is included in an approved loan and adequate funds were budgeted in the loan and are available;
- (2) All applicable RUS procedures were followed, including those in the *Notice and Instructions to Bid* in the standard forms of contract; and
- (3) The award is to the lowest responsive bidder.

If the above conditions are not satisfied, the quotes along with the engineer's bid recommendation must be submitted to RUS for approval. In this case, contracts cannot be executed until RUS has notified the borrower of approval of the bid.

(h) Execution of Contract

The borrower shall submit to RUS three original counterparts of the contract executed by the contractor and borrower. If RUS approves the contract, it shall return one copy to the borrower and send one copy to the contractor.



(3) Closeout

After construction has been completed per the P&S, and acceptance tests have been made, the borrower shall arrange the time for a final inspection to be conducted by the borrower's engineer, the contractor, the GFR and a representative of the borrower. The steps for closeout of the contract are included in the following table.

Step-by-Step Procedure for Closeout of RUS Form 515 Construction Contract			
Sequence		By	Procedure
Step	When		
1	Upon Completion of Construction	Borrower's Engineer	Prepares the following: a set of Detail Maps and a set (when applicable) of Key Maps which show in red the work done under the 515 contract; a Tabulation of Staking Sheet; and a tentative Final Inventory, RUS Forms 724 and 724a.
2	After acceptance tests are made	Borrower's Engineer	Forwards letter to the borrower with copies to the GFR stating that the project is ready for final inspection. Schedules inspection date.
3	Upon receipt of letter from Borrower's Engineer	GFR	Advises borrower whether attending the final inspection will be possible.
4	By inspection date	Borrower's Engineer	Obtains and makes available the following documents: a set of "as constructed" detail maps and (when applicable) "as built" key maps; a list of construction change orders; the final staking sheets; the tabulation staking sheets; the treated forest products inspection reports or certificates of compliance; the tentative final inventory, RUS Forms 724 and 724a; the tentative tabulation, and, a report of results of acceptance tests.
5	During inspection	Borrower's Engineer	Issues instructions to contractor covering corrections to be made in construction as a result of inspection.
6	During inspection	Contractor	Corrects construction on basis of instructions from the borrower's engineer. The corrections should proceed closely behind the inspection in order that the borrower's engineer can check the corrections before leaving the system.
7	During inspection	Borrower's Engineer	Inspects and approves corrected construction. Marks inspected areas on the key map, if available, otherwise on the detail maps.

When the total inventory price exceeds the contract by more than 20 percent, the borrower shall submit for RUS approval an amendment and an extension to the contractor's bond.

When the acceptance tests and inspections have been completed and all deficiencies have been corrected, the borrower:

- (a) Assembles and distributes the documents listed in the following table that are required for the closeout of the RUS Form 515 contract.

Documents Required to Closeout RUS Form 515 Contract						
RUS Form	Description	Copies prepared by		Distribution		
		Contractor	Engineer	Borrower	Contractor	RUS
724	Final Inventory--Certificate of Completion	--	2	1	1	--
724a	Final Inventory--Assembly Units	--	2	1	1	--
None	Contractor's Bond Extension (send to RUS when required)	3	--	--	--	3
213	Certificate (Buy American)	1	--	1	--	--
--	Listing of Construction Change Orders	--	1	1	--	--
224	Waiver and Release of Lien (from each supplier)	1	--	1	--	--
231	Certificate of Contractor	1	--	1	--	--
527	Final Statement of Construction	--	2	1	1	--
--	Reports on Results of Acceptance Tests	--	1	1	1	--
--	Set of Final Staking Sheets	--	1	1	--	--
--	Tabulation of Staking Sheets	--	1	1	--	--
--	Correction Summary (legible copy)	--	1	1	--	--
--	Treated Forest Products Inspection Reports or Certificates of Compliance (prepared by inspection company or supplier).	--	--	1	--	--
--	Final Key Map (when applicable)	--	1	1	--	--
--	Final Central Office Area and Town Maps	--	1	1	--	--

- (b) Obtains the contract closeout certifications from the engineer that the project and all required documentation are satisfactory and complete. (See RUS Form 756 in Exhibit A.)
- (c) Submits a copy of the engineer's RUS Form 756 within 30 days of completion of the project.
- (d) Makes final payment in accordance with the payment terms of the contract.

When the total inventory price exceeds the contract by more than 20 percent, an amendment and an extension to the contractor's bond are required.

## **ADVANCE AND DISBURSEMENT OF BROADBAND LOAN FUNDS**

### **1 GENERAL**

The standard loan documents contain provisions regarding advances and disbursement of loan funds by broadband borrowers. This section implements certain provisions by setting forth requirements and procedures to be followed by the borrowers in obtaining advances and making disbursements of loan funds.

RUS is under no obligation to make or approve advances of loan funds unless the borrower complies with all terms and conditions of the loan documents. The borrower shall use funds in its construction funds only to make disbursements approved by RUS.

### **2 BROADBAND LOAN BUDGET**

When the loan is approved, RUS provides the borrower a broadband loan budget. This budget divides the loan into accounts that are associated with the proposed projects, such as electronic equipment and engineering. When an advance is requested, it must be requested against the appropriate account.

### **3 BUDGET ADJUSTMENTS**

If more funds are required than are available in an account, the borrower may request RUS' approval of a budget adjustment to use funds from another account. The request shall include an explanation of the change, the account to be used and a description of how the adjustment will affect loan purposes. RUS will not approve a budget adjustment unless the borrower can demonstrate that all loan purposes can be completed. RUS may make a budget adjustment without a formal request when a budget account is insufficient to encumber funds for a contract that otherwise would be approved by RUS.

### **4 DEPOSIT ACCOUNT**

The borrower shall establish and maintain a deposit account primarily to hold advances until disbursed. All loan fund advances shall be deposited in the deposit account.

The deposit account shall only be established in a bank or depository whose deposits are insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS. Moneys in the deposit account shall be used solely for the purpose approved in the loan application and shall be withdrawn from time to time only as agreed to by RUS.

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RUS may require that other funds be deposited into the deposit account. These may include equity or general fund contributions to construction, proceeds from the sale of property, interest received on loan funds and similar types of receipts. Deposit slips for any deposits to the deposit account shall show the source and amount of funds deposited and be executed by an authorized representative of the bank. All advances will be deposited into the deposit account by electronic transfers.

Funds shall be disbursed only up to the amount approved for advance as indicated on the financial requirement statement.

The disbursement of nonloan funds deposited into the deposit account requires the same RUS approvals as loan funds.

Disbursements must be evidenced by canceled checks. Disbursements to reimburse general funds shall be documented by a reimbursement schedule to be retained in the borrower's file that lists the deposit account check number, date, and an explanation of amounts reimbursed by construction project.

## 5 FINANCIAL REQUIREMENT STATEMENT (FRS)

To request advances the borrower must submit to RUS an FRS (REA Form 481), a description of the advances desired, and other related information to the transactions as required by RUS.

The borrower shall request funds in the first advance of loan funds to repay any interim financing indebtedness. RUS may not make further advances of loan funds until the borrower has submitted evidence, in form and substance satisfactory to the Administrator, that (1) any indebtedness created by the interim financing and any liens associated therewith have been fully discharged of record and (2) the borrower has satisfied all other conditions on the advance of additional loan funds.

If the source of funds for interim financing is the borrower's internally generated funds, the borrower may request reimbursement of those funds along with advances for other purposes on the first Financial Requirement Statement submitted to RUS.

The FRS is used by RUS and the borrower to record and control transactions in the deposit account. Approved contracts and other items are shown on the FRS under "Approved Purposes." Funds are approved for advance as follows:

### a Construction

- (1) *Construction contracts*: Ninety percent of the encumbered amount (95 percent for outside plant), with the final 10 percent (5 percent for outside plant) approved when RUS approves the closeout documents.

- (2) *Work orders*: The portion of the work order summary determined by RUS to be for approved loan purposes.
- (3) *Work order fund*: Based on the borrowers request to establish a work order fund and RUS' approval of this request.
- (4) *Real estate*: Upon request of the borrower after submission of evidence of a valid title.
- (5) *Right of way procurement*: Based on the borrower's itemized costs. These costs cannot include any costs for acquiring right of way.

b Engineering

- (1) *Preloan engineering*: The final itemized invoice from the person or firm that completed the system design.
- (2) *Postloan engineering contracts*: Ninety percent of the amount of the RUS approved engineering contract. The balance is approved when the engineering contract is closed.
- (3) *In-house engineering*: Ninety percent of the amount of the RUS approved in-house engineering proposal. The balance is approved when the final statement of fees is received.
- (4) *Office equipment, vehicles, and work equipment*: Based on copies of invoices.
- (5) *Refinancing*: Based on the amount in the approved budget.
- (6) *Acquisitions*: Based on the final itemized costs, but cannot exceed the approved budget.

Funds other than loan funds that are deposited in the deposit account are reported as a credit under total disbursements. Disbursements of these funds are subject to the same RUS approvals as loan funds.

The borrower shall request advances as needed to meet its obligations promptly. Generally, RUS does not approve an advance requested more than 60 days before the obligation is payable.

Funds should be disbursed for the item for which they were advanced. If the borrower needs to pay an invoice for which funds have not been advanced, and disbursement of advanced funds for another item has been delayed, the latter funds may be disbursed to pay the invoice for up to the amount approved for advance for that item on the FRS. The borrower shall make entries on the next FRS showing the changes under "Total Advances to Date" and shall explain the changes in writing before RUS will process the next FRS.

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The certification on each of the three copies of the FRS sent to RUS shall be signed by a corporate officer or manager authorized to sign such statements. RUS Form 675, *Certificate of Authority*, shall be submitted to RUS indicating the names of all persons authorized to sign a FRS. RUS will not process a FRS signed by an individual whose name is not included on the most recent Form 675.

The documentation required for the FRS transactions are the deposit slip, the cancelled deposit account checks and the supporting invoices or reimbursement schedules. These shall be kept for in the borrower's files for periodic audits by RUS.

## 6 TEMPORARY EXCESS CONSTRUCTION FUNDS

When unanticipated events delay the borrower's disbursement of advanced funds, the funds may be used for other approved purposes or must remain in the deposit account. If the deposit account is an interest bearing account, all interest earned must remain in the deposit account and cannot be disbursed without RUS approval.

## 7 METHOD OF ADVANCES FOR BROADBAND LOAN FUNDS

### a Direct Cost-of-money and Direct 4% Loans

The first or subsequent advances may be conditioned on the satisfaction of certain requirements stated in the borrower's loan contract.

All advances shall be made electronically using the Automatic Clearing House (ACH). Normally, for advance of funds ACH only makes one payment per FRS.

The following information shall be included with each advance:

- (1) Name and address of borrower's bank. If the borrower's bank is not a member of the Federal Reserve System, the name and address of its correspondent bank that is a member of the Federal Reserve System;
  - (2) ACH routing information;
  - (3) Borrower's bank account title and number; and
  - (4) Any other necessary identifying information.
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b. Private Loan Guarantee.

The first advance or subsequent advances may be conditioned on the satisfaction of certain requirements stated in the borrower's loan contract.

Upon review and processing of the FRS, RUS will notify the private lender of the amount of loan funds to be advanced to the borrower. The private lender will advance loan funds based on the terms and conditions agreed to by the private lender, RUS and the borrower.

With each FRS submitted to RUS the borrower shall include any information that the private lender requires to make an advance of funds.

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EXHIBIT A: FORMS

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*According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-XXXX. The time required to complete this information collection is estimated to average .05 of a minute per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.*

### INTERIM FINANCING ADDENDUM

If this project is financed in part by the Rural Telephone Bank, an agency of the United States of America, the references in the contract documents to "the United States of America and the Government" shall mean the "Rural Telephone Bank", as well, and the references to the "Administrator" shall mean the "Governor" of the Rural Telephone Bank as well. If the project is financed wholly by the Rural Telephone Bank, the reference to "the United States of America" and the "Government" shall mean the Rural Telephone Bank and the references to the "Administrator" shall mean the "Governor" of the Rural Telephone Bank. References to RUS loans or loan contracts shall include RUS guarantees of loans by others.

The Owner, notwithstanding the references in the contract documents to the RUS or Rural Telephone Bank financing of the work herein provided for, plans to use funds other than RUS or Rural Telephone Bank loan funds initially and expects to be reimbursed subsequently with RUS or Rural Telephone Bank loan funds in whole or in part. It is understood that:

1. An RUS  , RTB  , or FFB  loan has  , has not  been made and has not been released. (Owner checks applicable boxes.)
2. Arrangements have been made for other funds so that invoices may be paid promptly in accordance with the contract provisions.
3. Approval of the contract by RUS or the Rural Telephone Bank shall not be construed as a commitment to make a loan for this purpose.

Date \_\_\_\_\_  
OWNER'S NAME

BY \_\_\_\_\_  
PRESIDENT

Date \_\_\_\_\_  
CONTRACTOR'S NAME

BY \_\_\_\_\_  
TITLE

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0372-XXXX. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

## U.S. Department of Agriculture Rural Utilities Service

### Software License Agreement

Addendum to RUS Form 397, *Special Equipment Contract (including installation)*,  
RUS Form 398, *Special Equipment Contract (not including installation)*, and RUS Form 773,  
*Miscellaneous Construction Work and Maintenance Services Contract*

(Use only when the Contractor requires a software license agreement.)

(1) **Definitions.** For the purpose of this Software License Agreement --

Contract means the RUS Form 397, *Special Equipment Contract (including installation)*,  
RUS Form 398, *Special Equipment Contract (not including installation)*, or RUS Form 773,  
*Miscellaneous Construction Work and Maintenance Services Contract*  
dated \_\_\_\_\_, between  
\_\_\_\_\_  
(the Licensee) and  
\_\_\_\_\_  
(the Licensor).

Days mean calendar days.

Licensed Software means the computer programs, furnished for the operation of the System(s) provided under the Contract, whether contained on a tape, disc, semiconductor device, or other memory device or system memory consisting of logic instructions and instruction sequences in machine-readable object code, which manipulate data in the central processor, control and perform input/output operations, perform error diagnostic and recovery routines, control call processing, and perform peripheral control, administrative and maintenance functions; as well as Licensor's standard customer documentation, excluding source code, used to describe, maintain and use the programs provided under the Contract.

Licensee and Licensor, respectively, mean the parties signing the software license agreement as the licensee and licensor.

Right-to-Use Fee is defined in Section (2).

Specifications means the respective RUS specification such as the RUS Form 397b, *Trunk Carrier System Specifications*; RUS Form 397c, *Subscriber Carrier Specifications*; RUS Form 397d, *Design Specifications for Point-to-Point Microwave Radio Systems*; RUS Form 397g, *Performance Specifications for Line Concentrators*; and RUS Form 397h, *Design Specifications for Digital Lightwave Transmission Systems*; or when an RUS does not have a specification covering the product, the consulting engineer's prepared specification; which is part of the Contract.

System means the stored program controlled central office and associated remote switching terminal or terminals which use the Licensed Software covered by this License.

**(2) Software License Provisions.** The Licensor may charge a fee, herein referred to as a Right-to-Use Fee, for use of the Licensed Software. The Right-to-Use Fee shall be included in the Total Base Bid as defined in the Contract. In consideration of the Right-to-Use Fee, the Licensor hereby grants the Licensee the right to use all Licensed Software, solely in connection with the System provided under this Contract, so that the System performs in accordance with the Contract and the Specifications.

(i) The Licensee's right to use the Licensed Software is non-exclusive and limited to use or operation in the United States of America, including its Territories, the Federated States of Micronesia, the Marshall Islands, Palau and the Commonwealth of Puerto Rico, with the System for which the Licensed Software is provided by the Licensor. The Licensee may reuse the equipment and its accompanying Licensed Software at another location within the Licensee's System without obtaining additional approvals from Licensor, provided, however, that the Licensee notify the Licensor, within ten (10) days, of the change in location of the equipment and Licensed Software.

(ii) The Licensee and any successor to the Licensee's title in the System may, without further consent of the Licensor, transfer the Licensed Software and all of the Licensee's rights and interests under this Software License to any transferee who acquires legal title to the System, provided that such transferee first agrees in writing to the Licensor to abide by all of the terms and conditions of this License including, without limitation, the territorial limitation stated in Section (2)(i) and the restrictions on decompiling or reverse assembly stated in Section (2)(iii). Licensee shall give Licensor written notice thirty (30) days prior to any transfer. The Licensor shall not place any additional conditions on the transferee's use of the System or the Licensed Software. If the provisions of this Section (2) (ii) are satisfied, thereafter the Licensee shall bear no responsibility for transferee's failure to abide by the terms and conditions of this License.

(iii) The Licensee shall take reasonable steps to protect the confidentiality of the Licensed Software and shall not decompile or reverse assemble of all or any part of the Licensed Software to generate source code. The Licensee shall not make the Licensed Software available to any person except on a need to know basis. The obligations of the Licensee hereunder shall not extend to any information or data relating to the Licensed Software which is now available to the general public or becomes available by reason of the acts of the Licensor or third parties.

(iv) The Licensee may reproduce or copy the Licensed Software and related materials solely for the purpose of archival backup, in-house training and operating, maintaining, and administering the System provided under this Contract. In such reproduction, the Licensee shall include, upon all such copies of the Licensed Software, all proprietary notices, including the copyright notice within the Licensed Software program and related documentation in the form in which it is received from the Licensor.

(v) The Licensee acknowledges that the Licensed Software program is the property of the Licensor, and shall not do, or cause to be done, anything to activate any of the subsisting nonactivated computer instruction steps therein unless authorized in writing by the Licensor. The Licensor shall have the exclusive right to activate, or authorize the activation of, the subsisting nonactivated program instruction steps in the Licensed Software. In this event Licensee shall pay any additional Right-To-Use Fee(s) agreed to by Licensee and Licensor.

(vi) In the event the Licensor develops significant improvements to the Licensed Software, the Licensor may market the improvements as a separate offering requiring payment of an additional Right-to-Use Fee.

(vii) The Licensee shall not modify or otherwise change the Licensed Software other than at the direction of the Licensor. This provision shall not apply to:

(A) Changes to the Licensed Software which are necessary to preserve or restore service. Licensee shall use all reasonable efforts to contact Licensor before making any such changes. If the Licensor is unable to make the necessary changes promptly to the Licensed Software to preserve or restore service, then the Licensee may make only such changes to the Licensed Software as are necessary to preserve or restore service. In such event, Licensee shall promptly notify Licensor of the changes made by Licensee.

(B) Changes made by the Licensee to its own database; and

(C) Changes made by the Licensee in connection with the exercise of its rights under Section (2) (xi).

(viii) Within thirty (30) days after written notice that a program or a release thereof has been discontinued and is no longer required for the operation of the System and the Licensor has furnished the Licensee with a new program that is fully satisfactory to the Licensee, the Licensee agrees to return the original and all copies of the discontinued program and specified related documents. If such return is impossible or impractical, the Licensee shall destroy said program and documents and provide the Licensor with a written notice of such destruction.

(ix) The Licensor warrants to the Licensee that any Software licensed under this Software License shall function for a period of five (5) years from the warranty start date defined in the Contract in accordance with the Specifications and any written or printed technical material provided by the Licensor to explain the operation of the Licensed Software and aid in its use. The Licensor shall correct all deficiencies within thirty (30) days from the date of receipt by the Licensor of written notice of such deficiencies from the Licensee. An extension of this thirty (30) day period may be allowed only if agreed upon by the Licensee and RUS. It shall be the Licensor's obligation to insert and thoroughly test, at no charge to the Licensee, any software amendment or alteration provided to satisfy the obligations of this Section (2)(ix). If a deficiency is detected or a correction made within the final ninety (90) days of the warranty, the warranty shall be extended to a date ninety (90) days after the deficiency has been corrected.

(x) The Licensor shall hold harmless and indemnify the Licensee from any and all claims, suits, and proceedings for the infringement of any patent, copyright, trademark, or violation of trade secrets covering any Licensed Software used with the System, except for items of the Licensee's design or selection. If the Licensee's use of the Licensed Software is enjoined, the Licensor shall promptly, at its own expense, place the Licensee in a position where it is able to use the System in accordance with the Specifications, whether by: (A) modifying the Licensed Software or portion thereof so that it no longer infringes but remains functionally equivalent, (B) replacing the Licensed Software with noninfringing equivalent software, (C) obtaining for the Licensee a license or other right to use, or (D) such other actions as may be required. This shall be in addition to any other rights or claims which the Licensee may have. The Licensor shall, at its own expense, (and the Licensee agrees to permit the Licensor to do so) defend any suits which may be instituted by any party against the Licensee for alleged infringement of patents, copyright, trademark, or violation of trade secrets relative to the Licensor's performance hereunder. Either party shall notify the other promptly of any such claims, and the Licensee shall give to the Licensor full authority and opportunity to settle such claims, and shall reasonably cooperate with the Licensor in obtaining information relative to such claims.

(xi) In the event the Licensor becomes unwilling or unable to furnish support required by the Contract for the Licensed Software, the Licensor shall, upon written request of the Licensee, provide with the greatest possible dispatch all Licensed Software back-up documentation including proprietary information other than agreed excluded documentation. In this event,

(1) the Licensee shall be permitted full use of all Licensed Software and documentation as long as the System is operational and (2) the Licensee may modify, or have modified, the Licensed Software for feature enhancement or proper equipment operation and becomes the owner of such modifications for all purposes, including patenting, copywriting, sale, or license thereof. Agreed excluded documentation is Licensed Software back-up documentation described in the first sentence of this Section (2) (xi) which (A) is proprietary information of a third party, (B) was specifically described at the pre-bid technical session and individually identified in an attachment to the Bid, and (C) RUS and the Licensee agree, before bids are opened, may be excluded from the requirements of this Section (2) (xi). In the event the Licensor furnishes agreed excluded documentation and the Licensee exercises its rights under this Section (2)(xi), the Licensor shall use its best efforts to provide such agreed excluded information to the Licensee, or obtain continuing support agreements from the parties retaining legal rights to the excluded documentation. Licensor agrees that certain Licensed Software cannot be excluded from the requirements of this Section (2)(xi) including, but not limited to, software, the absence or improper operation of which would significantly impair the operation of the System, would significantly impair the ability of the Licensee to generate revenue, or would pose a risk to RUS loan security.

(xii) A breach of this License by the Licensor is a breach of the Contract. Therefore, the remedies specified in the Contract shall apply.

(xiii) The Licensee shall have thirty (30) days after receipt of written notice from the Licensor to correct any breach of this License. Damages payable by the Licensee for its breach of this License shall not exceed the total Contract price. The Licensor shall not terminate this License unless:

(A) The Licensor has given RUS sixty (60) days notice before termination; and  
(B) RUS agrees with the Licensor that termination is the only method available to prevent significant harm to the Licensor from additional Licensee defaults.

(xiv) The obligations of Licensee and Licensor and any successors in title under this Agreement shall survive the termination of this Agreement and continue after any termination of rights granted hereunder.

(xv) Licensee and Licensor agree that it will not, without the prior written permission of the other party, use in advertising, publicity, packaging, labeling, or otherwise, any trade name, trademark, trade device, service mark, symbol, or any other identification or any abbreviation, contraction, or simulation thereof owned by the other party or any of its affiliates or used by the other party or any of its affiliates to identify any of their products or services, unless otherwise agreed by the parties.

(xvi) This Software License Agreement shall prevail notwithstanding any conflicting terms or legends which may appear on or in the Licensed Software.

(xvii) If any Section or part thereof, in this Agreement shall be held to be invalid or unenforceable in any jurisdiction in which this Agreement is being performed, then the meaning of such Section or part shall be construed so as to render it enforceable, to the extent feasible; and if no feasible interpretation would save such Section or part, it shall be severed from this Agreement and the remainder shall remain in full force and effect. However, in the event such Section or part is considered an essential element of this Agreement, the parties shall promptly negotiate a replacement therefor.

(xviii) This Software License and any amendments thereto, or revisions thereof, are subject to RUS approval.

**LICENSOR**

**LICENSEE**

<b>Company Name</b>	<b>Company Name</b>
<b>By</b> _____	<b>By</b> _____
<b>Title</b> _____	<b>Title</b> _____
<b>Date</b> _____	<b>Date</b> _____

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-XXXX. The time required to complete this information collection is estimated to average .05 of a minute per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

**U.S. Department of Agriculture  
Rural Utilities Service**

**CONTRACT CLOSEOUT CERTIFICATION**

*(Submit an original and a copy to RUS Area Engineering Branch.)*

BORROWER'S NAME: \_\_\_\_\_  
PROJECT DESIGNATION: \_\_\_\_\_  
CONTRACT TYPE & NUMBER: \_\_\_\_\_  
CLOSEOUT AMOUNT: \_\_\_\_\_  
SALES TAXES (INCLUDED ABOVE): \_\_\_\_\_

In connection with the above construction contract, the undersigned certify that:

1. The construction is complete and was done in accordance with the RUS approved system design or layout or subsequent RUS approved changes;
2. The construction was for loan purposes;
3. Construction used RUS-accepted materials and was in accordance with specifications published by RUS covering the construction which were in effect when the contract was executed, or in the absence of such specifications, that it meets other applicable specifications and standards (specify), and that it meets all applicable national and local code requirements;
4. The construction complies with the "Buy American" provision ( 7 U.S.C. 903 note) of the Rural Electrification Act of 1938 (7 U.S.C. 901 et seq.), as amended;
5. All necessary approvals have been obtained from regulatory bodies and other entities with jurisdiction over the project;
6. All closeout documents required by this part have been examined and found complete such that the Contractor has fulfilled all obligations under the contract except for warranty coverage; and
7. The engineer or architect is not affiliated with and does not represent the contractor, vendor, or manufacturer who is a participant in the contract.

**BORROWER**

**ENGINEER/ARCHITECT**

BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_

BY: \_\_\_\_\_  
TITLE: \_\_\_\_\_  
DATE: \_\_\_\_\_  
CO.: \_\_\_\_\_

## ATTACHMENT 2

### Equal Opportunity Contract Provisions

During the performance of this contract, the contractor agrees as follows:

- (a) The contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The contractor shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer, recruitment, or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this non-discrimination clause.
- (b) The contractor shall, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants shall receive consideration for employment without regard to race, color, religion, sex, or national origin.
- (c) The contractor shall send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or worker's representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous place available to employees and applicants for employment.
- (d) The contractor shall comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.
- (e) The contractor shall furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and shall permit access to his books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulation, and orders.
- (f) In the event of the contractor's non-compliance with the non-discrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or part by the Government, and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with the procedure authorized in Executive Order 11246 of September 14, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
- (g) The contractor shall include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246, dated September 24, 1965, so that such provisions shall be binding upon each subcontractor or vendor. The contractor shall take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.



**ATTACHMENT 3**

**UNIFORM SYSTEM OF ACCOUNTS**

All references regarding account numbers are to 47 C.F.R. Part 32

<b>ACCOUNT NAMES</b>	<b>ACCOUNT NUMBERS</b>	
	<b>CLASS A</b>	<b>CLASS B</b>

**NET INCOME OR NET MARGINS:** the sum of the balances of the following accounts of the Borrower/Mortgagor

Local Network Services Revenues	)		
Network Access Services Revenues	)		
Long Distance Network Services Revenues	)	5000s	thru 5300s
Miscellaneous Revenues	)		
LESS: Uncollectible Revenues	)		
Other Operating Income and Expense		7100*	7100
Non-operating Income and Expense		7300*	7300
Income Effect of Jurisdictional Rate-making Difference – Net		7910	7910
Non-regulated Net Income		7990	7990
Other Non-regulated Revenues		7991	7991
LESS: balances of the following accounts:			
Plant Specific Operations Expense	)		
Plant Non-specific Operations Expense	)	6100s	thru 6700s
Customer Operations	)		
Corporate Operations	)		
Operating Taxes		7200*	7200
Non-operating Taxes		7400*	7400
Interest and Related Items		7500*	7500
Extraordinary Items		7600*	7600

**INTEREST EXPENSE:** the sum of the balances of the following accounts of the Borrower/Mortgagor

Interest and Related Items	7500*	7500
Interest on Funded Debt	7510	
Interest Expense – Capital Leases	7520	
Amortization of Debt Issuance Expense	7530	
Other Interest Deductions	7540	
LESS: Allowance for Funds Used During Construction	7340	7300.4

**TOTAL TELECOMMUNICATIONS PLANT:** the sum of the balances of the following accounts of the Borrower/Mortgagor

Telecommunications Plant in Service	2001	2001
Property Held for Future Telecommunications Use	2002	2002
Telecommunications Plant Under Construction – Short Term	2003	2003
Telecommunications Plant Under Construction – Long Term	2004	2004
Telecommunications Plant Adjustment	2005	2005
Non-Operating Plant	2006	2006
Goodwill	2007	2007

\*Summary Accounts

**NET WORTH OR EQUITY:** the sum of the balances of the following accounts of the Borrower/Mortgagor

Capital Stock	4510
Additional Paid-in-Capital	4520
Treasury Stock	4530
Other Capital	4540
Retained Earnings	4550

NOTE: For Non-Profit Organizations – Owner's equity shall be shown in sub-accounts of 4540 and 4550.

**TOTAL ASSETS:** the sum of the balances of the following accounts of the Borrower/Mortgagor

Current Assets	1100s	thru	1300s
Non-Current Assets	1400s	thru	1500s
Total Telecommunications Plant	2001	thru	2007
LESS: Accumulated Depreciation	3100	thru	3300s
LESS: Accumulated Amortization	3400	thru	3600s

**DEPRECIATION AND AMORTIZATION:** the sum of the balances of the following accounts of the Borrower/Mortgagor

Depreciation and Amortization Expenses	6560*
Depreciation Expense – Telecommunications Plant in Service	6561
Depreciation Expense – Property Held for Future Telecommunications Use	6562
Amortization Expense – Tangible	6563
Amortization Expense – Intangible	6564
Amortization Expense – Other	6565

**DOCKET NO. 100180-TL**

**ITS TELECOMMUNICATIONS SYSTEMS, INC.'S RESPONSE**

**TO**

**STAFF DATA REQUEST NO. 1**

Request No. 6

COPY

PROMISSORY NOTE AND AMORTIZATION SCHEDULE

[REDACTED]

January 7, 1998

FOR VALUE RECEIVED, the undersigned, POSTCO, INC. (herein called the "Borrower"), a corporation organized and existing under the laws of the State of Florida, hereby promises to pay to United States Cellular Corporation, a Delaware corporation ("Lender") or registered assigns, the principal sum of [REDACTED], with interest, as set forth on the attached Amortization Schedule, as follows:

[REDACTED]

Payments of principal of and interest with respect to this Note are to be made in lawful money of the United States of America at the principal offices of Lender or at such other place as the Lender shall have designated by written notice to the Borrower as provided in the Loan Agreement referred to below.

This Note is issued pursuant to that certain Loan Agreement, dated as of January 7, 1998 (as from time to time amended, the "Loan Agreement"), among Robert M. Post, Jr., the Borrower and Lender and is subject to the terms and conditions thereof. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Loan Agreement.

POSTCO, INC.

By: Robert M. Post, Jr.  
Robert M. Post, Jr.  
President

v#  
22000  
1-224.01

AMORTIZATION SCHEDULE					
Applicable Federal Rate =				5.97%	
(For Long-Term Obligations issued in January 1998)					
Payt No.	Due Date	Interest Payment	Principal Payment	Total Payment	Balance of Loan
ck# 0	1/7/98				
1/29/98 1031	1	2/1/98			
2/27/98 1061	2	3/1/98			
3/30 1087	3	4/1/98			
4/30 1131	4	5/1/98			
6/2 1175	5	6/1/98			
6/29 1210	6	7/1/98			
7/20 1257	7	8/1/98			
	8	9/1/98			
	9	10/1/98			
	10	11/1/98			
	11	12/1/98			
	12	1/1/99			
	13	2/1/99			
	14	3/1/99			
	15	4/1/99			
	16	5/1/99			
	17	6/1/99			
	18	7/1/99			
	19	8/1/99			
	20	9/1/99			
	21	10/1/99			
	22	11/1/99			
	23	12/1/99			
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	25	2/1/00			
	26	3/1/00			
	27	4/1/00			
	28	5/1/00			
	29	6/1/00			
	30	7/1/00			
	31	8/1/00			
	32	9/1/00			
	33	10/1/00			
	34	11/1/00			
	35	12/1/00			
	36	1/1/01			
	37	2/1/01			
	38	3/1/01			
	39	4/1/01			
	40	5/1/01			
	41	6/1/01			
	42	7/1/01			

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179	12/1/12
180	1/1/13
181	1/7/13



**DOCKET NO. 100180-TL**  
**ITS TELECOMMUNICATIONS SYSTEMS, INC.'S RESPONSE**  
**TO**  
**STAFF DATA REQUEST NO. 1**

Request No. 10

ITS Telecommunications Systems  
Statements Of Cash Flows

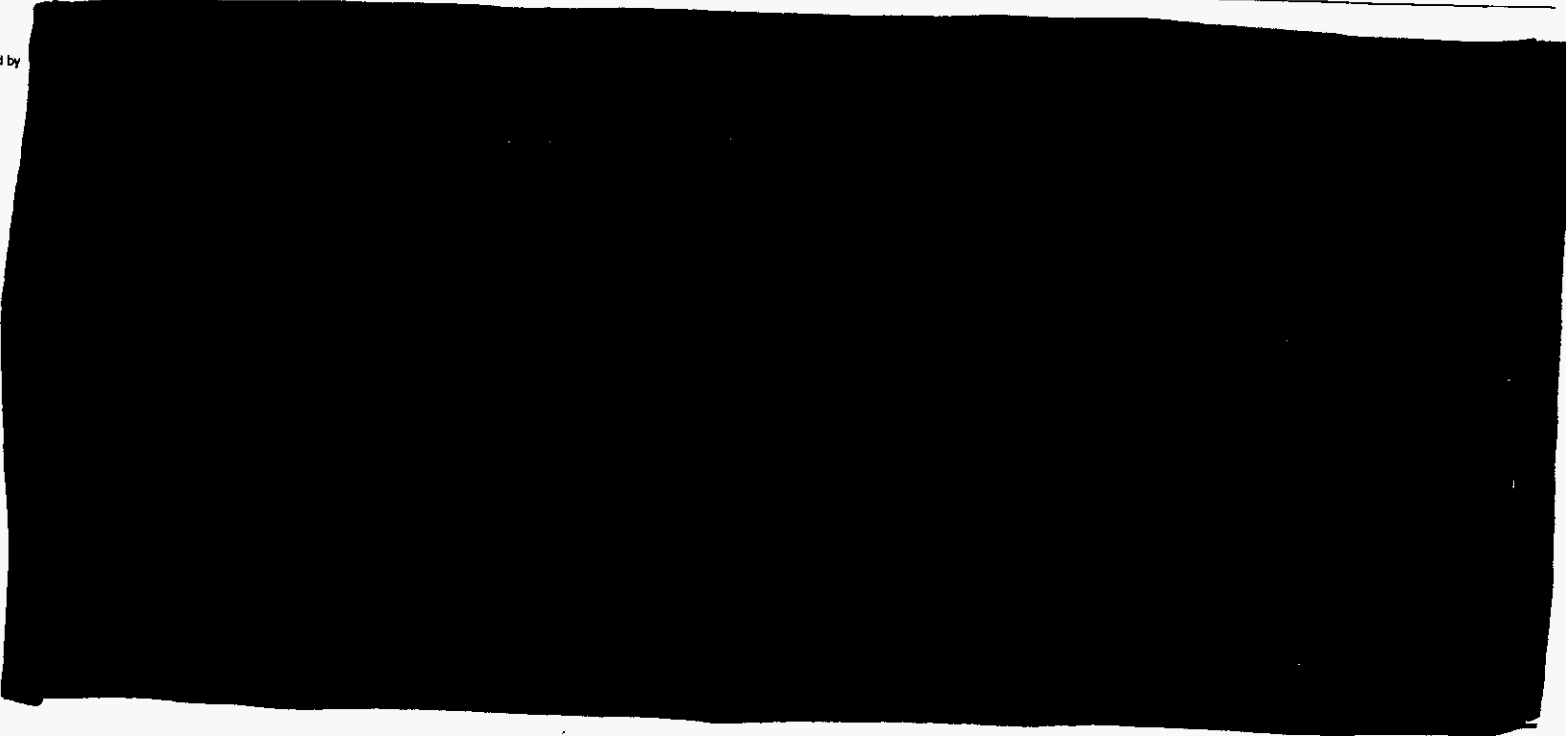
Historical Statements of Cash Flow													
2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019

Cash Flows from Operating Activities:  
 Net Income (Loss)  
 Adjustments to reconcile net income (loss) to net cash provided by operating activities:  
   Depreciation and amortization  
   Deferred income taxes  
   Gain (loss) on sale of assets  
 Change in assets and liabilities:  
   Receivables  
   Materials and supplies  
   Prepays  
   Customer deposits and advanced billings  
   Accounts payable and accruals  
**Net Cash Provided (Used) by Operating Activities:**

Cash Flows from Investing Activities:  
 Proceeds from sale of plant  
 Capital expenditures  
 Plant removal cost  
 Net proceeds from certificates of deposit  
 Net investment in marketable securities  
 Proceeds from sale of investments  
**Net Cash Provided (Used) by Investing Activities**

Cash Flows from Financing Activities:  
 Proceeds of long-term debt  
 Repayment of long-term debt  
 Funding deficit (excess)  
 Dividends Paid  
 Advances to affiliates  
**Net Cash Provided (Used) by Financing Activities**

Net increase (Decrease) in Cash and Cash Equivalents  
 Cash and Cash Equivalents at Beginning of Year  
 Cash and Cash Equivalents at End of Year





ITS Telecommunications Systems  
Consolidated Statements Of Income

Historical Statement of Operations

2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

Operating Revenues:  
Local network services  
Network access services  
Long distance network services  
Internet services  
Video services  
Computer services  
Miscellaneous  
Uncollectibles  
Total Operating Revenues

Operating Expenses:  
Plant specific operations  
Plant nonspecific operations  
Depreciation and amortization  
Customer operations  
Corporate operations  
Long distance expense  
Internet expense  
Video expense  
Computer repair expense  
Total Operating Expenses

Operating Taxes:  
Other operating taxes  
Total Operating Taxes

Operating Income (Loss)

Nonoperating Income (expense):  
Interest income  
Dividend income  
Other nonoperating income  
Total Nonoperating Income (Loss)

Income (Loss) Before Interest Charges

Interest Charges:  
Interest on long-term debt  
Other interest  
Capitalized interest  
Customer Deposit Interest  
Total Interest Charges

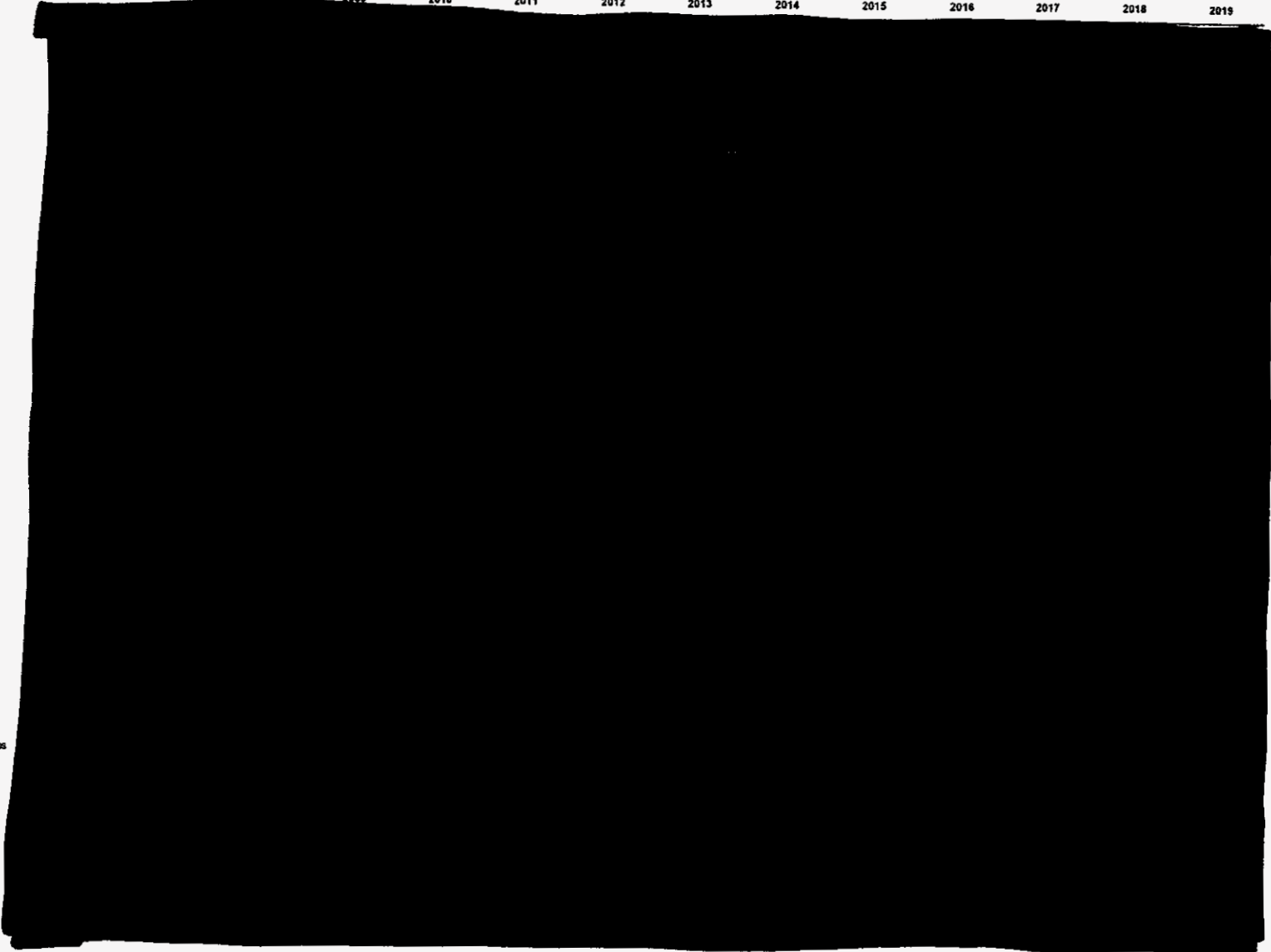
Net Income (Loss) Before Extraordinary Items

Extraordinary Items

Net Income (Loss) Before Taxes

Income tax expense (benefit)

Net Income (Loss)



ITS Telecommunications Systems  
10 Year Pro Forma Financials

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Voice connections (% increase/loss):</b>														
Voice connections - beginning of year														
Net adds/ (loss)														
Voice connections - end of year (preliminary)														
Voice connections - from subsidiary analysis														
Voice connections - end of year														
<b>Broadband connections (% increase/loss):</b>														
Broadband connections - beginning of year														
Net adds/ (loss)														
Broadband connections - end of year (preliminary)														
Broadband connections - from subsidiary analysis														
Broadband connections - end of year														
<b>Broadband penetration (% access lines):</b>														
<b>Dial-up (% increase/loss):</b>														
Dial-up connections - beginning of year														
Net adds/ (loss)														
Dial-up connections - end of year (preliminary)														
Dial-up - from subsidiary analysis														
Dial-up connections - end of year														
<b>Video connections (Coax) (% increase/loss):</b>														
Video connections - beginning of year														
Net adds/ (loss)														
Video connections - end of year (preliminary)														
Video connections - from subsidiary analysis														
Video connections - end of year														
<b>Target Net Adds per Year</b>														
<b>Wireless connections (% increase/loss):</b>														
Wireless connections - beginning of year														
Net adds/ (loss)														
Wireless connections - end of year (preliminary)														
Wireless connections - from subsidiary analysis														
Wireless connections - end of year														
<b>Average connections:</b>														
Average voice connections														
Average broadband connections														
Average dial-up connections														
Average video connections (Coax)														
Average wireless connections														
Average total connections - preliminary														
Override average total connections														
Average total connections														

ITS Telecommunications Systems  
10 Year Pro Forma Financials

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Interstate MOU (% increase/loss):</b>														
Interstate MOU - beginning of year														
Net adds/ (loss)														
Interstate MOU - end of year (preliminary)														
Interstate MOU - from subsidiary analysis														
Interstate MOU - end of year														
<b>Intrastate MOU (% increase/loss):</b>														
Intrastate MOU - beginning of year														
Net adds/ (loss)														
Intrastate MOU - end of year (preliminary)														
Intrastate MOU - from subsidiary analysis														
Intrastate MOU - end of year														
<b>Wireless MOU (% increase/loss):</b>														
Wireless MOU - beginning of year														
Net adds/ (loss)														
Wireless MOU - end of year (preliminary)														
Wireless MOU - from subsidiary analysis														
Wireless MOU - end of year														
<b>Long Distance MOU (% increase/loss):</b>														
Long Distance MOU - beginning of year														
Net adds/ (loss)														
Long Distance MOU - end of year (preliminary)														
Long Distance MOU - from subsidiary analysis														
Long Distance MOU - end of year														
<b>Average MOU:</b>														
Average Interstate MOU														
Average Intrastate MOU														
Average Wireless MOU														
Long Distance MOU														
Average total MOU - preliminary														
Override average total MOU														
Average total connections														

ITS Telecommunications Systems  
Debt Test Summary

1 Net Income  
2 Total Fixed Charges  
    Net Income + Fixed Charges  
3 Total Fixed Charges  
    TIER

1 Cash - End of Year  
    Minimum Cash Balance



ITS Telecommunications Systems  
Capital Expenditures

Capital Expenditure	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<i>General Support</i>														
<i>Central Office</i>														
<i>IOT</i>														
<i>Cable &amp; Wire</i>														
<i>Tangibles</i>														
<i>Intangibles</i>														
<i>Non-Regulated</i>														
<i>Total Regulated Capex</i>														
<b>Total Capital Expenditures</b>														
<b>Capital Retirements</b>	<b>2006</b>													
<i>General Support</i>														
<i>Central Office</i>														
<i>IOT</i>														
<i>Cable &amp; Wire</i>														
<i>Tangibles</i>														
<i>Intangibles</i>														
<i>Non-Regulated</i>														
<i>Total CTC Retirements</i>														
<b>Total Capital Retirements</b>														



**DOCKET NO. 100180-TL**  
**ITS TELECOMMUNICATIONS SYSTEMS, INC.'S RESPONSE**  
**TO**  
**STAFF DATA REQUEST NO. 1**

Request No. 12

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# 2008 TAX RETURN FILING INSTRUCTIONS

U.S. CONSOLIDATED CORPORATION INCOME TAX RETURN

FOR THE YEAR ENDING  
DECEMBER 31, 2008

<b>Prepared for</b>	POSTCO, INC AND SUBSIDIARIES P.O. BOX 398 INDIANTOWN, FL 34956-0398
<b>Prepared by</b>	BONO, CHAZOTTE & DALLE MOLLE, P.A. 28 WEST GRAND AVENUE - SUITE 1 MONTVALE, NJ 07645-2100
<b>To be signed and dated by</b>	THE APPROPRIATE CORPORATE OFFICER(S).
<b>Amount of tax</b>	Total tax \$ ..... Less: payments and credits \$ ..... Plus: other amount \$ ..... Plus: interest and penalties \$ ..... NO PMT REQUIRED \$ .....
<b>Overpayment</b>	Credited to your estimated tax \$ ..... Other amount \$ ..... Refunded to you \$ .....
<b>Make check payable to</b>	NOT APPLICABLE
<b>Mail tax return and check (if applicable) to</b>	THIS RETURN HAS QUALIFIED FOR ELECTRONIC FILING. AFTER YOU HAVE REVIEWED THE RETURN FOR ACCURACY, PLEASE SIGN, DATE AND RETURN FORM 8879-C TO OUR OFFICE. WE WILL TRANSMIT YOUR RETURN ELECTRONICALLY TO THE IRS, AND NO FURTHER ACTION IS REQUIRED.
<b>Return must be mailed on or before</b>	NOT APPLICABLE
<b>Special Instructions</b>	

CLIENT COPY



Name: POSTCO, INC AND  
SUBSIDIARIES  
FEIN: 65-0727271

IRS Center: OGDEN  
Refund: \$0.00

e-Postmark: 9/8/2009 4:06:23 PM  
Notification:

Return History			
DCN	DATE	TYPE OF ACTIVITY	UPDATED BY
	09/02/2009	Upload Started	
	09/02/2009	Ready to Release by Customer	
	09/08/2009	Released for Transmission - Validation in Progress	TomBono
	09/08/2009	Ready to transmit - Validation Complete	
	09/08/2009	Transmitted to FD	
	09/08/2009	Accepted by FD	

\*\*\*\*\* THIS IS NOT A FILEABLE COPY \*\*\*\*\*

Form **8879-C**

**IRS e-file Signature Authorization for Form 1120**

OMB No 1545-1864

**2008**

Department of the Treasury  
Internal Revenue Service

For calendar year 2008, or tax year beginning \_\_\_\_\_, 2008, and ending \_\_\_\_\_, 20\_\_\_\_

▶ See instructions. Do not send to the IRS. Keep for your records.

Name of corporation

**POSTCO, INC AND SUBSIDIARIES**

Employer identification number  
**65-0727271**

**Part I Tax Return Information** (Whole dollars only)

1	Total income (Form 1120, line 11)	1	[REDACTED]
2	Taxable income (Form 1120, line 30)	2	[REDACTED]
3	Total tax (Form 1120, line 31)	3	[REDACTED]
4	Amount owed (Form 1120, line 34)	4	[REDACTED]
5	Overpayment (Form 1120, line 35)	5	[REDACTED]

**Part II Declaration and Signature Authorization of Officer (Be sure to get a copy of the corporation's return)**

Under penalties of perjury, I declare that I am an officer of the above corporation and that I have examined a copy of the corporation's 2008 electronic income tax return and accompanying schedules and statements and to the best of my knowledge and belief, it is true, correct, and complete. I further declare that the amounts in Part I above are the amounts shown on the copy of the corporation's electronic income tax return. I consent to allow my electronic return originator (ERO), transmitter, or intermediate service provider to send the corporation's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) an indication of any refund offset, (c) the reason for any delay in processing the return or refund, and (d) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the corporation's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the corporation's electronic income tax return and, if applicable, the corporation's consent to electronic funds withdrawal.

Officer's PIN: check one box only

I authorize **BONO, CHAZOTTE & DALLE MOLLE, P.A.** to enter my PIN **31803**  
ERO firm name do not enter all zeros  
as my signature on the corporation's 2008 electronically filed income tax return.

As an officer of the corporation, I will enter my PIN as my signature on the corporation's 2008 electronically filed income tax return.

Officer's signature **THIS IS NOT A FILEABLE COPY** Date **09/01/09** Title **VICE PRESIDENT**

**Part III Certification and Authentication**

ERO's EFIN/PIN. Enter your six-digit EFIN followed by your five-digit self-selected PIN. **22270743270**  
do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2008 electronically filed income tax return for the corporation indicated above. I confirm that I am submitting this return in accordance with the requirements of Pub. 3112, IRS e-file Application and Participation, and Pub. 4163, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature ▶ \_\_\_\_\_ Date ▶ **09/01/09**

**ERO Must Retain This Form - See Instructions  
Do Not Submit This Form to the IRS Unless Requested To Do So**

For Paperwork Reduction Act Notice, see instructions.

Form **8879-C** (2008)

LHA

8:3211  
01-02-09

12190901 748121 20901

2008.04020 POSTCO, INC AND SUBSIDIARIE 20901\_\_1

**U.S. Corporation Income Tax Return**  
 For calendar year 2008 or tax year

OMB No. 1545-0123

**2008**

beginning \_\_\_\_\_, ending \_\_\_\_\_  
**EXTENSION GRANTED TO 09/15/09**

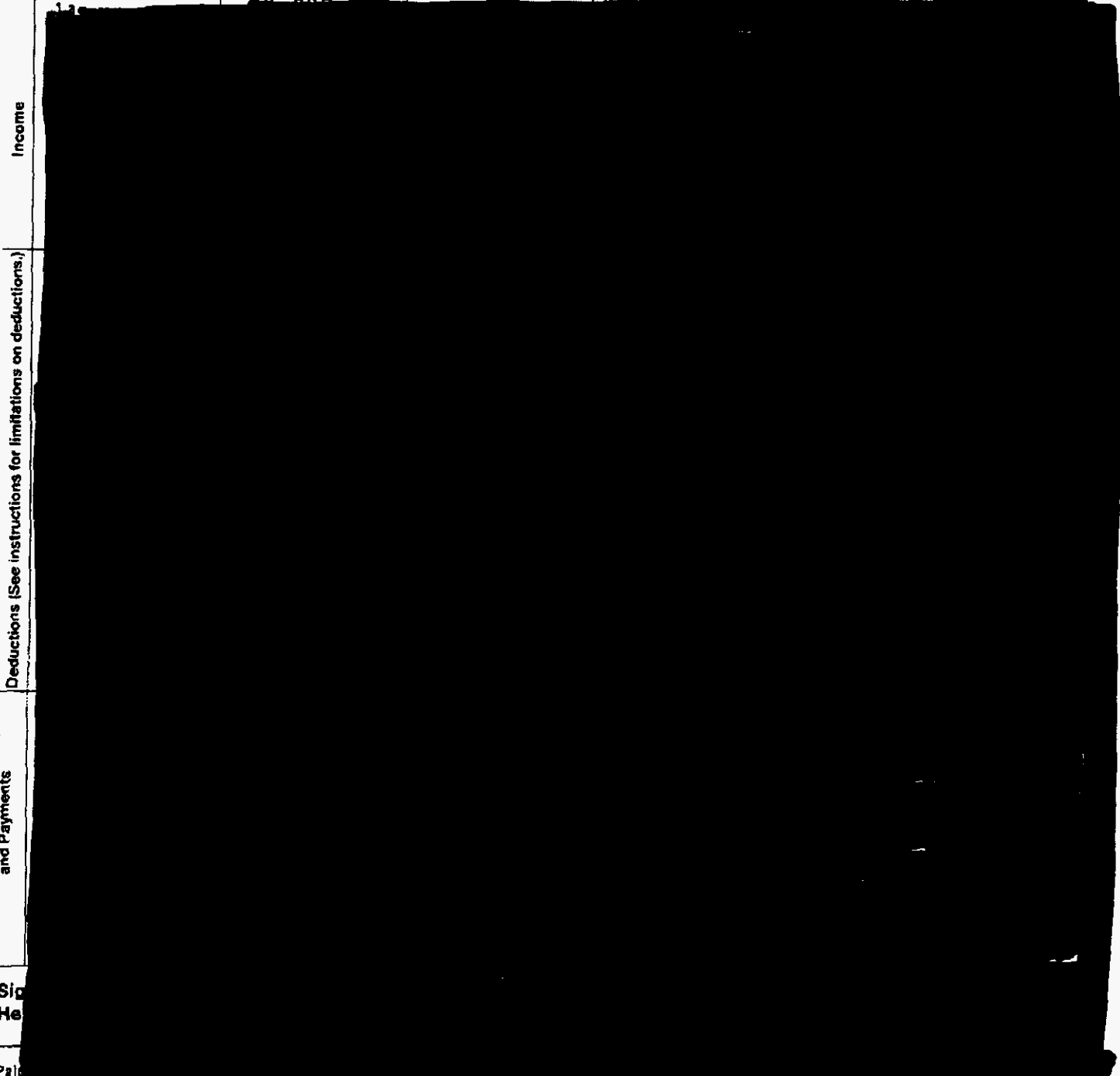
- A Check if:**  
 1a Consolidated return (attach Form 951)   
 b Life/nonlife consolidated return   
 2 Personal holding co. (attach Sch. PH)   
 3 Personal service corp. (see instructions)   
 4 Schedule M-3 attached

Use IRS label. Otherwise, print or type.

**Name**  
 POSTCO, INC AND SUBSIDIARIES  
**Number, street, and room or suite no. (if a P.O. box, see instructions).**  
 P.O. BOX 398  
**City or town, state, and ZIP code**  
 INDIANTOWN, FL 34956-0398

**B Employer identification number**  
 65-0727271  
**C Date incorporated**  
 03/05/1997  
**D Total assets (see instructions)**  
 \$ 15,387,510.

**E Check if:** (1)  Initial return (2)  Final return (3)  Name change (4)  Address change



Income

Deductions (See instructions for limitations on deductions.)

Tax Refundable Credits, and Payments

Signature

Preparer's Use Only

Firm's name (or yours if self-employed), address, and ZIP code  
**BONO, CHAZOTTE & DALLE MOLLE, P.A.**  
**28 WEST GRAND AVENUE - SUITE 1**  
**MONTVALE, NJ 07645-2100**

EN **22 3177970**  
 Phone no. **201-326-3800**











**Alternative Minimum Tax - Corporations**

▶ See separate instructions.  
▶ Attach to the corporation's tax return.

**2008**

POSTCO, INC AND SUBSIDIARIES

Form 8676 (2008)



Page 2

2008)

8:7002  
01:14:09 JWA

12190901 748121 20901

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2008.04020 POSTCO, INC AND SUBSIDIARIE 20901 1

Adjusted Current Earnings (ACE) Worksheet

▶ See ACE Worksheet Instructions.



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Form **851**  
(Rev. December 2006)  
Department of the Treasury  
Internal Revenue Service

**Affiliations Schedule**  
▶ File with each consolidated income tax return.  
For tax year ending DECEMBER 31, 2008

OMB No 1545-0025

Name of common parent corporation <b>POSTCO, INC.</b>		Employer identification number <b>65-0727271</b>
Number, street, and room or suite no. (If a P.O. box, see instructions.) <b>P.O. BOX 398</b>		
City or town, state, and ZIP code <b>INDIANTOWN, FL 34956-0398</b>		

Corp.  
No.  
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**Pa**

Corp.  
No.

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810621  
04-25-08

FORM 851 (REV. 12-2005)



Form 851 (Rev. 12-2005)

Page 3

**Part IV** Additional Stock Information (see instructions)

1 During the tax year, did the corporation have more than one class of stock outstanding?  Yes  No

If "Yes," enter the name of the corporation and list and describe each class of stock.

Corp. No.	Name of corporation	Class of stock
	[REDACTED]	[REDACTED]

2 During the tax year, was there any member of the consolidated group that reaffiliated within 60 months of disaffiliation?  Yes  No

If "Yes," enter the name of the corporation(s) and explain circumstances.

Corp. No.	Name of corporation	Explanation

3 During the tax year, was there any arrangement in existence by which one or more persons that were not members of the affiliated group could acquire any stock, or acquire any voting power without acquiring stock, in the corporation, other than a de minimis amount, from the corporation or another member of the affiliated group?  Yes  No

If "Yes," enter the name of the corporation and see the instructions for what to enter in Items 3a, 3b, 3c, and 3d.

Corp. No.	Name of corporation	Item 3a	Item 3b	Item 3c
		%	%	%
		%	%	%
		%	%	%
		%	%	%

Corp. No.	Item 3d - Provide a description of any arrangement.

JWA

Form 851 (Rev. 12-2005)

810541  
04.25.08

**SCHEDULE B  
(Form 1120)**

(December 2008)  
Department of the Treasury  
Internal Revenue Service

**Additional Information for  
Schedule M-3 Filers**

▶ See instructions on page 2.  
▶ Attach to Form 1120.

OMB No. 1545-0123

Name

Employer identification number (EIN)

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

	Yes	No
1 Do the amounts reported on Schedule M-3 (Form 1120), Part II, lines 9 or 10, column (d), reflect allocations to this corporation from a partnership of income, gain, loss, deduction, or credit that are disproportionate to this corporation's capital contribution to the partnership or its ratio for sharing other items of the partnership?		
2 At any time during the tax year, did the corporation sell, exchange, or transfer any interest in an intangible asset to a related person as defined in section 267(b)?		
3 At any time during the tax year, did the corporation acquire any interest in an intangible asset from a related person as defined in section 267(b)?		
4a During the tax year, did the corporation enter into a cost-sharing arrangement with any related foreign party on whose behalf the corporation did not file Form 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations?		
b At any time during the tax year, was the corporation a participant in a cost-sharing arrangement with any related foreign party on whose behalf the corporation did not file Form 5471?		
5 At any time during the tax year, did the corporation make any change in accounting principle for financial accounting purposes? See instructions for the definition of change in accounting principle		
6 At any time during the tax year, did the corporation make any change in a method of accounting for U.S. income tax purposes?		
7 At any time during the tax year, did the corporation own any voluntary employees' beneficiary association (VEBA) trusts that were used to hold funds designated for employee benefits?		
8 At any time during the tax year, did the corporation use an allocation method for mixed-service costs that varied from the Federal Energy Regulatory Commission method of accounting?		

For Paperwork Reduction Act Notice, see instructions for Form 1120.

Schedule B (Form 1120) (12-2008)



**SCHEDULE D  
(Form 1120)**

Department of the Treasury  
Internal Revenue Service

**Capital Gains and Losses**

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-H, 1120-IC-DISC, 1120-L, 1120-ND,  
1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 1120-SF, or certain Forms 990-T.  
▶ See separate instructions.

OMB No. 1545-0123

**2008**

Name

POSTCO, INC AND SUBSIDIARIES

Employer identification number

65-0727271

**Part I Short-Term Capital Gains and Losses - Assets Held One Year or Less**

SCHEDULE M-3  
(Form 1120)

Department of the Treasury  
Internal Revenue Service

**Net Income (Loss) Reconciliation for Corporations  
With Total Assets of \$10 Million or More**

▶ Attach to Form 1120 or 1120-C.  
▶ See separate instructions.

OMB No. 1545-0123

**2008**

Name of corporation (common parent, if consolidated return)

Employer identification number

Name of corporation (common parent, if consolidated return)

**POSTCO, INC AND SUBSIDIARIES**

Employer identification number

**65-0727271**

Check applicable boxes: (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/LPC group

Check if a sub-consolidated (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

SEE ATTACHED SEPARATE COMPANY DETAIL

Name of corporation (common parent, if consolidated return)

**POSTCO, INC AND SUBSIDIARIES**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/LPC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

SEE ATTACHED SEPARATE COMPANY DETAIL

Form **4562**  
Department of the Treasury  
Internal Revenue Service (99)

**Depreciation and Amortization**  
**(Including Information on Listed Property) OTHER**  
▶ See separate instructions. ▶ Attach to your tax return.

OMB No 1545-0172

**2008**  
Attachment  
Sequence No 67

Name(s) shown on return

Business or activity to which this form relates

Identifying number

**Part V**

**Listed Property** (include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A - Depreciation and Other Information** (Caution: See the instructions for limits for passenger automobiles.)

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Form **4797**  
Department of the Treasury  
Internal Revenue Service (99)

**Sales of Business Property**  
(Also Involuntary Conversions and Recapture Amounts  
Under Sections 179 and 280F(b)(2))  
▶ Attach to your tax return.

OMB No. 1545-0044

**2008**

Attachment  
Sequence No. **27**

Names shown on return

Identifying number

818001  
12-03-08

12190901 748121 20901

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2008.04020 POSTCO, INC AND SUBSIDIARIE 20901 1

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255



ALTERNATIVE MINIMUM TAX

**Sales of Business Property**

(Also Involuntary Conversions and Recapture Amounts  
Under Sections 179 and 280F(b)(2))  
▶ Attach to your tax return.

OMB No. 1545-0184

**2008**

Attachment  
Sequence No. **27**

Form **4797**

Department of the Treasury  
Internal Revenue Service (99)

No. \_\_\_\_\_ Identifying number \_\_\_\_\_

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ALTERNATIVE MINIMUM TAX

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1256

(b) Date acquired (c) Date sold

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Form **8827**

**Credit for Prior Year Minimum Tax - Corporations**

OMB No. 1545-1257

Department of the Treasury  
Internal Revenue Service

▶ Attach to the corporation's tax return.

**2008**

Name

Employer identification number

Department of the Treasury  
Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

Name of common parent  
**POSTCO, INC AND SUBSIDIARIES**

Employer identification number  
**65-0727271**

Name of subsidiary

Employer identification number

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 Total cost of goods sold. Add lines 1 through 7, in columns a, b, c, and d				

JWA For Paperwork Reduction Act Notice, see page 4.

Form 8916-A (2008)

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income	[REDACTED]			[REDACTED]
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.	[REDACTED]			[REDACTED]

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense	[REDACTED]			[REDACTED]
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8, Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.	[REDACTED]			[REDACTED]

JWA

Form 8916-A (2008)



FORM 4797 SALES OF PROPERTY USED IN A TRADE OR BUSINESS STATEMENT 1

DESCRIPTION OF PROPERTY	DATE ACQUIRED	DATE SOLD	SALES PRICE	DEPR ALLOWED	COST OR BASIS	GAIN OR LOSS
ASSETS REMOVED FROM SERVICE	12/31/03	12/31/08				
ASSETS REMOVED AND SOLD	07/24/04	12/31/08				
1998 26' GRADY WHITE	04/21/98	03/31/08				
TOTALS TO FORM 4797, LINE 2						

FORM 4797 ORDINARY GAINS AND LOSSES STATEMENT 2

DESCRIPTION OF PROPERTY	DATE ACQUIRED	DATE SOLD	SALES PRICE	DEPR ALLOWED	COST OR BASIS	GAIN OR LOSS
ASSETS REMOVED FROM SERVICE	03/03/03	12/31/08				
PHONE DOCTOR OPERATIONS TERMINATED	07/15/99	12/31/08				
UF595 FAX MACHINE	05/22/00	12/31/08				
LASERJET 5SI PRINTER	07/25/00	12/31/08				
HP LASERJET 5000 PRINTER	11/06/00	12/31/08				
TOTALS TO FORM 4797, LINE 10						

FORM 4797

SECTION 1231 LOSSES FROM PRIOR YEARS

STATEMENT 3

	LOSS SUSTAINED	LOSS PREVIOUSLY RECAPTURED	LOSS REMAINING
TAX YEAR 2003	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2004	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2005	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2006	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2007	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL REMAINING SECTION 1231 LOSSES FROM PRIOR YEARS			[REDACTED]



AMT 4797 SALES OF PROPERTY USED IN A TRADE OR BUSINESS STATEMENT 4

DESCRIPTION OF PROPERTY	DATE ACQUIRED	DATE SOLD	SALES PRICE	DEPR ALLOWED	COST OR BASIS	GAIN OR LOSS
ASSETS REMOVED FROM SERVICE	12/31/03	12/31/08				
ASSETS REMOVED AND SOLD	07/24/04	12/31/08				
1998 26' GRADY WHITE	04/21/98	03/31/08				
TOTALS TO AMT FORM 4797, LINE 2						

AMT 4797 ORDINARY GAINS AND LOSSES STATEMENT 5

DESCRIPTION OF PROPERTY	DATE ACQUIRED	DATE SOLD	SALES PRICE	DEPR ALLOWED	COST OR BASIS	GAIN OR LOSS
ASSETS REMOVED FROM SERVICE	03/03/03	12/31/08				
PHONE DOCTOR OPERATIONS TERMINATED	07/15/99	12/31/08				
UF595 FAX MACHINE	05/22/00	12/31/08				
LASERJET 5SI PRINTER	07/25/00	12/31/08				
HP LASERJET 5000 PRINTER	11/06/00	12/31/08				
TOTALS TO AMT FORM 4797, LINE 10						

AMT 4797 SECTION 1231 LOSSES FROM PRIOR YEARS STATEMENT 6

	LOSS SUSTAINED	LOSS PREVIOUSLY RECAPTURED	LOSS REMAINING
TAX YEAR 2003	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2004	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2005	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2006	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2007	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL REMAINING SECTION 1231 LOSSES FROM PRIOR YEARS			[REDACTED]

# Statement of Consolidated Income and Deductions

Name

Employer identification number

**POSTCO, INC AND SUBSIDIARIES**

65-0727271

Income	Schedule Reference	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Gross receipts or sales				
Less returns and allowances				
<b>Net Sales</b>				
Cost of goods sold:				
Inventory at beginning of year				
Purchases				
Cost of labor				
Additional section 263A costs				
Other costs				
Inventory end of year				
Cost of goods sold				
<b>Gross Profit</b>				
Dividends				
Interest				
Gross rents				
Gross royalties				
Capital gain net income				
Net gain or (loss) Form 4797				
Other income				
<b>Total Income</b>				
<b>Deductions</b>				
Compensation of officers				
Salaries and wages				
Repairs				
Bad debts				
Rents				
Taxes				
Interest				
Contributions	STATEMENT 9			
Depreciation not claimed elsewhere				
Depletion				
Advertising				
Pension, profit-sharing, etc., plans				
Employee benefit programs				
Domestic Production Activities Deduction				
Other deductions				
<b>Total Deductions</b>				
Taxable income before NOL and special deductions				
Net operating loss deduction - limited	STMT 7			
Special deductions				
<b>Taxable Income</b>				

NET OPERATING LOSS ADJUSTMENT

STATEMENT 7

CONSOLIDATED TAXABLE INCOME BEFORE NOL AND DPAD DEDUCTION -333,191.

	SRLY OR SEC. 382 LIMIT	TOTAL NOL AVAILABLE	TOTAL NOL AFTER SRLY OR SEC. 382 LIMITATION	TOTAL NOL DEDUCTED	REMAINING TAXABLE INCOME AFTER NOL DEDUCTION
YEAR END	12/31/01				
YEAR END	12/31/02				
YEAR END	12/31/03				
YEAR END	12/31/04				
YEAR END	12/31/05				

YEAR END 12/31/06

YEAR END 12/31/07

SUBTOTAL

CONSOLIDATED NOL DEDUCTION	0.
COMBINED NOL DEDUCTION	0.
CONSOLIDATED NOL ADJUSTMENT	0.

ALLOCATION OF CURRENT CONSOLIDATED NET OPERATING LOSS TO MEMBER CORPORATIONS STATEMENT 8

CURRENT CONSOLIDATED NOL	X	MEMBER'S CURRENT NOL	/	TOTAL OF ALL MEMBERS WITH NOL	=	NOL ALLOCATED TO THIS COMPANY
12/31/08		POSTCO, INC.				
12/31/08						
12/31/08						
12/31/08						
12/31/08						

CHARITABLE CONTRIBUTION ADJUSTMENT

STATEMENT 9

LIMITATION OF 10% OF TAXABLE INCOME AS ADJUSTED

-276,742.

	ORIGINAL CONTRIBUTION	APPLIED TO DATE	CONTRIBUTION AVAILABLE	AMOUNT DEDUCTED	REMAINING LIMITATION AFTER DEDUCTION
CURRENT YEAR					

YEAR END

YEAR END

YEAR END

YEAR END

YEAR END 12/31/07 POSTCO, INC



CONSOLIDATED CHARITABLE CONTRIBUTION DEDUCTION	0.
LESS: COMBINED CHARITABLE CONTRIBUTION DEDUCTION	0.
CONSOLIDATED ADJUSTMENT	0.


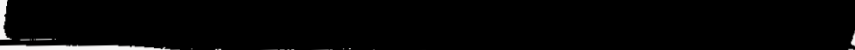
**SCHEDULE OF COMBINED INCOME AND DEDUCTIONS**

	COMBINED AMOUNTS	POSTCO, INC. 65 0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13 2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65 0818740
<b>Income</b>						
Gross receipts or sales						
Less returns and allowances						
Net Sales						
<b>Cost of goods sold:</b>						
Inventory at beginning of year						
Purchases						
Cost of labor						
Additional section 263A costs						
Other costs						
Inventory end of year						
Cost of goods sold						
<b>Gross profit</b>						
Dividends						
Interest STATEMENT 11						
Gross rents						
Gross royalties						
Capital gain net income						
Net gain or (loss) Form 4797						
Other income STATEMENT 12						
<b>Total Income</b>						
<b>Deductions</b>						
Compensation of officers						
Salaries and wages						
Repairs						
Bad debts						
Rents						
Taxes STATEMENT 13						
Interest						
Charitable Contributions						
Depreciation not claimed elsewhere						
Depletion						
Advertising						
Pension, profit-sharing, etc., plans						
Employee benefit programs						
Domestic Production Activities Deduction						
Other deductions STATEMENT 14						
<b>Total Deductions</b>						
Taxable income before NOL and special deductions						
Net operating loss deduction						
Special deductions						
<b>Taxable Income</b>						




CURRENT CHARITABLE CONTRIBUTIONS

STATEMENT 10

COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
	65-0727271	65-0727275	13-2663101	11-2590704	65-0818740
VARIOUS CHARITABLE ORGANIZATIONS					
TOTAL CURRENT CONTRIBUTIONS					

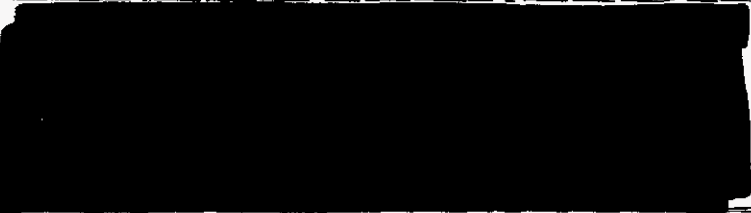
COMBINED INTEREST INCOME

STATEMENT 11

COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
	65-0727271	65-0727275	13-2663101	11-2590704	65-0818740
CUSTOMER ACCOUNTS					
ITS TELECOMMUNICATIONS SYSTEMS SAVINGS & MONEY MARKET ACCOUNTS					
TOTAL INTEREST INCOME					

COMBINED OTHER INCOME

STATEMENT 12

COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
ADMINISTRATIVE FEES					
AMORTIZATION OF 1988/89 FPSC EXCESS EARNINGS					
AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION					
OTHER INCOME					
TOTAL OTHER INCOME					

COMBINED TAXES

STATEMENT 13

COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
	65-0727271	65-0727275	13 2663101	11-2590704	65-0818740

FLORIDA  
 FLORIDA UTILITY TAX  
 MUNICIPAL FEES  
 PAYROLL TAX  
 PERSONAL PROPERTY TAX  
 REAL ESTATE TAX  
 UTILITY ASSESSMENTS  
 TOTAL TAXES



	COMBINED OTHER DEDUCTIONS					STATEMENT	14
	COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.	
		65-0727271	65 0727275	13-2663101	11-2590704	65-0818740	
ACCESS CHARGES							
ACCOUNTING DEPARTMENT							
ACCOUNTING FEES							
ADMINISTRATION							
AMORTIZATION							
BANK CHARGES							
CALL COMPLETION SERVICE							
CHEMICALS							
COMPUTER EXPENSES							
CONTRACT OPERATORS							
CUSTOMER SERVICES							
DIRECTORY COSTS							
DUES AND SUBSCRIPTIONS							
DUMPING FEES							
ENGINEERING DEPARTMENT							
ENGINEERING FEES							
EQUIPMENT RENTAL							
EXECUTIVE DEPARTMENT							
EXECUTIVE EXPENSES							
FL ANNUAL REPORT							
FUEL							
INSURANCE							
LEGAL FEES							
LOCAL TESTING							
MANAGEMENT FEES							
MATERIALS							
MEALS AND ENTERTAINMENT							
MISCELLANEOUS							
OFFICE EXPENSE							
OTHER COSTS OF OPERATIONS							
OTHER EXPENSE							
OTHER EXPENSES							
OTHER OPERATING EXPENSE							
OUTSIDE SERVICES							
PENALTIES							
PLANT SUPERVISION							
POSTAGE							
PROFESSIONAL FEES							
PROMOTIONAL EXPENSES							
RECLASSIFY 2.5% OF EXECUTIVE EXPENSE SUBJECT TO 50% LIMIT							
RECYCLING EXPENSES							
REGULATORY EXPENSES							
RENT							
ROUNDING							
SLUDGE REMOVAL							
SUPPLIES							
TELEPHONE							
TRAINING							

COMBINED OTHER DEDUCTIONS

STATEMENT 14

	COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
		65 0727271	65 0727275	13 2663101	11-2590704	65-0818740
TRAVEL						
UNIFORMS						
UTILITIES						
VEHICLE EXPENSES						
TOTAL OTHER DEDUCTIONS						



# Statement of Consolidated Beginning Balance Sheet

Name

Employer identification number

**POSTCO, INC AND SUBSIDIARIES**

65-0727271

Assets	Schedule Reference	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Cash				
Trade notes and accounts receivable				
Less allowance for bad debts				
Inventories				
U.S. government obligations				
Tax-exempt securities				
Other current assets				
Loans to stockholders				
Mortgage and real estate loans				
Other investments				
Buildings and other depreciable assets				
Less accumulated depreciation				
Depletable assets				
Less accumulated depletion				
Land (net of any amortization)				
Intangible assets (amortizable only)				
Less accumulated amortization				
Other assets				
<b>Total Assets</b>				
<b>Liabilities and Stockholders' Equity</b>				
Accounts payable				
Mortgages, notes, bonds payable in less than 1 year				
Other current liabilities				
Loans from stockholders				
Mortgages, notes, bonds payable in 1 year or more				
Other liabilities				
Capital stock: a Preferred stock				
b Common stock				
Additional paid-in capital				
Retained earnings - Appropriated				
Retained earnings - Unappropriated				
Adjustments to shareholders' equity				
Less cost of treasury stock				
<b>Total Liabilities and Stockholders' Equity</b>				

**SCHEDULE OF COMBINED BEGINNING BALANCE SHEET**

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Assets</b>						
Cash						
Trade notes and accounts receivable						
Less allowance for bad debts						
Inventories						
U.S. government obligations						
Tax-exempt securities						
Other current assets <b>STATEMENT 15</b>						
Loans to stockholders						
Mortgage and real estate loans						
Other investments <b>STATEMENT 16</b>						
Buildings and other depreciable assets						
Less accumulated depreciation						
Depletable assets						
Less accumulated depletion						
Land (net of any amortization)						
Intangible assets (amortizable only)						
Less accumulated amortization						
Other assets <b>STATEMENT 17</b>						
<b>Total Assets</b>						
<b>Liabilities and Stockholders' Equity</b>						
Accounts payable						
Mortgages, notes, bonds payable in less than 1 year						
Other current liabilities <b>STATEMENT 18</b>						
Loans from stockholders						
Mortgages, notes, bonds payable in 1 year or more						
Other liabilities <b>STATEMENT 19</b>						
Capital stock: a Preferred stock						
b Common stock						
Additional paid-in capital						
Retained earnings - Appropriated						
Retained earnings - Unappropriated						
Adjustments to shareholders' equity <b>STATEMENT 20</b>						
Less cost of treasury stock						
<b>Total Liabilities and Stockholders' Equity</b>						



SCHEDULE L

COMBINED OTHER CURRENT ASSETS

STATEMENT 15

	COMBINED AMOUNTS	POSTCO, INC. 65 0727271	INDIANTOWN COMPANY, INC. 65 0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65 0818740
DEPOSITS						
MATERIALS AND SUPPLIES						
PREPAID EXPENSES						
PREPAID INSURANCE						
PREPAID LICENSES						
<b>TOTAL OTHER CURRENT ASSETS</b>						

SCHEDULE L

COMBINED OTHER INVESTMENTS

STATEMENT 16

	COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICAT IONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
AMERICAN BALANCED FUND						
AMERICAN HIGH INCOME FUND						
ARROW COMMUNICATIONS						
CAPITAL INCOME FUND						
CAPITAL WORLD GROWTH AND INCOME FUND						
EURO PACIFIC GROWTH FUND						
FASB UNREALIZED GAIN (LOSS) ON SECURITIES						
FASB UNREALIZED LOSS ON SECURITIES						
FIDELITY TECHNOLOGY						
FIDELITY TELECOM AND UTILITIES						
FIRST BANK OF INDIANTOWN						
FUNDAMENTAL INVESTORS FUND						
INCOME COMPANY OF AMERICA						
INDIANTOWN COMPANY						
INVESTMENT COMPANY OF AMERICA						
ITS TELECOMMUNICATIONS SYSTEMS						
NEW ECONOMY FUND						
NEW PROSPERCTIVE FUND						
PRINCESS AVIATION GROUP						
SMALLCAP WORLD FUND						
WASHINGTON MUTUAL						
TOTAL OTHER INVESTMENTS	-					

SCHEDULE L

COMBINED OTHER ASSETS


STATEMENT 17

COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICAT IONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
CONSTRUCTION IN PROGRESS DEFERRED FPSC RATE CASE EXPENES DEFERRED INCOME TAX DEBITS DEFERRED LOAN COSTS LOAN - ITS TELECOMMUNICATIONS SYSTEMS SECURITY DEPOSITS	[REDACTED]				
TOTAL OTHER ASSETS	[REDACTED]				

SCHEDULE L

OTHER CURRENT LIABILITIES

STATEMENT 18


	COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICAT IONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
		65 0727271	65 0727275	13 2663101	11 2590704	65-0818740
ACCRUED INTEREST						
ADVANCE BILLING						
CUSTOMER DEPOSITS						
DEFERRED GUARANTEED REVENUE						
TOTAL OTHER CURRENT LIABILITIES						

SCHEDULE L	COMBINED OTHER LIABILITIES					STATEMENT 19
	COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICAT IONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
		65-0727271	65-0727275	13-2663101	11 2590704	65 0818740
CONTRIBUTIONS IN AID OF CONSTRUCTION	[REDACTED]					
DEFERRED INCOME TAX CREDITS						
FASB - ADDITIONAL PENSION LIABILITY						
TOTAL OTHER LIABILITIES						

SCHEDULE L

COMBINED ADJUSTMENTS TO SHAREHOLDERS' EQUITY

STATEMENT 20

COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
	65-0727271	65-0727275	13-2663101	11-2590704	65-0818740
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)					
TOTAL ADJUSTMENTS TO EQUITY					

# Statement of Consolidated Ending Balance Sheet and Schedule M-2

Name

Employer identification number

**POSTCO, INC AND SUBSIDIARIES**

Assets	Schedule Reference
Cash	
Trade notes and accounts receivable	
Less allowance for bad debts	
Inventories	
U.S. government obligations	
Tax-exempt securities	
Other current assets	
Loans to stockholders	
Mortgage and real estate loans	
Other investments	
Buildings and other depreciable assets	
Less accumulated depreciation	
Depletable assets	
Less accumulated depletion	
Land (net of any amortization)	
Intangible assets (amortizable only)	
Less accumulated amortization	
Other assets	
<b>Total Assets</b>	
Liabilities and Stockholders' Equity	
Accounts payable	
Mortgages, notes, bonds payable in less than 1 year	
Other current liabilities	
Loans from stockholders	
Mortgages, notes, bonds payable in 1 year or more	
Other liabilities	
Capital stock: a Preferred stock	
b Common stock	
Additional paid-in capital	
Retained earnings - Appropriated	
Retained earnings - Unappropriated	
Adjustments to shareholders' equity	
Less cost of treasury stock	
<b>Total Liabilities and Stockholders' Equity</b>	
<b>Schedule M-2</b>	<b>Analysis of Unappropriated Retained Earnings per Books</b>
Balance at beginning of year	
Net income per books	
Other increases	
<b>Total Increases</b>	
Distributions: Cash	
Stock	
Property	
Other decreases	
<b>Total Decreases</b>	
<b>Balance at End of Year</b>	

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**SCHEDULE OF COMBINED ENDING BALANCE SHEET AND SCHEDULE M-2**

	COMBINED AMOUNTS	POSTCO, INC. 65 0727271	INDIANTOWN COMPANY, INC. 65 0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13 2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Assets</b>						
Cash						
Trade notes and accounts receivable						
Less allowance for bad debts						
Inventories						
U.S. government obligations						
Tax-exempt securities						
Other current assets STATEMENT 21						
Loans to stockholders						
Mortgage and real estate loans						
Other investments STATEMENT 22						
Buildings and other depreciable assets						
Less accumulated depreciation						
Depletable assets						
Less accumulated depletion						
Land (net of any amortization)						
Intangible assets (amortizable only)						
Less accumulated amortization						
Other assets STATEMENT 23						
<b>Total Assets</b>						
<b>Liabilities and Stockholders' Equity</b>						
Accounts payable						
Short term mortgages, notes, and bonds						
Other current liabilities STATEMENT 24						
Loans from stockholders						
Long term mortgages, notes, and bonds						
Other liabilities STATEMENT 25						
Capital stock: a Preferred stock						
b Common stock						
Additional paid-in capital						
Retained earnings - Appropriated						
Retained earnings - Unappropriated						
Adjustments to shareholders' equity STATEMENT 26						
Less cost of treasury stock						
<b>Total Liabilities and Stockholders' Equity</b>						
<b>Schedule M-2</b>						
Balance at beginning of year						
Net income per books						
Other increases						
<b>Total Increases</b>						
Distributions: Cash						
Stock						
Property						
Other decreases						
<b>Total Decreases</b>						
<b>Balance at End of Year</b>						



SCHEDULE L COMBINED OTHER CURRENT ASSETS STATEMENT 21

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65 0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13 2663101	ARROW COMMUNICATIONS, INC. 11 2590704	PRINCESS AVIATION GROUP, INC. 65 0818740
DEPOSITS						
MATERIALS AND SUPPLIES						
PREPAID EXPENSES						
PREPAID INSURANCE						
PREPAID LICENSES						
TOTAL OTHER CURRENT ASSETS						



SCHEDULE L

COMBINED OTHER INVESTMENTS

STATEMENT 22

	COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
		65-0727271	65 0727275	13-2663101	11-2590704	65 0818740
AMERICAN BALANCED FUND						
AMERICAN HIGH INCOME FUND						
ARROW COMMUNICATIONS						
CAPITAL INCOME FUND						
CAPITAL WORLD GROWTH AND INCOME FUN						
EURO PACIFIC GROWTH FUND						
FASB UNREALIZED GAIN (LOSS) ON SECURITIES						
FASB UNREALIZED LOSS ON SECURITIES						
FIDELITY TECHNOLOGY						
FIDELITY TELECOM AND UTILITIES						
FIRST BANK OF INDIANTOWN						
FUNDAMENTAL INVESTORS FUND						
INCOME COMPANY OF AMERICA						
INDIANTOWN COMPANY						
INVESTMENT COMPANY OF AMERICA						
ITS TELECOMMUNICATIONS SYSTEMS						
NEW ECONOMY FUND						
NEW PROSPRITIVE FUND						
PRINCESS AVIATION GROUP						
SMALLCAP WORLD FUND						
WASHINGTON MUTUAL						
TOTAL OTHER INVESTMENTS						

SCHEDULE L

COMBINED OTHER ASSETS

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13 2663101	ARROW COMMUNICATIONS, INC. 11 2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
CONSTRUCTION IN PROGRESS						
DEFERRED FPSC RATE CASE EXPENSES						
DEFERRED INCOME TAX DEBITS						
DEFERRED LOAN COSTS						
LOAN - ITS TELECOMMUNICATIONS SYSTEMS						
SECURITY DEPOSITS						
TOTAL OTHER ASSETS						

SCHEDULE L

OTHER CURRENT LIABILITIES

COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
ACCRUED INTEREST					
ADVANCE BILLING					
CUSTOMER DEPOSITS					
DEFERRED GUARANTEED REVENUE					
TOTAL OTHER CURRENT LIABILITIES					

SCHEDULE L

COMBINED OTHER LIABILITIES



STATEMENT 25

	COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
		65-0727271	65-0727275	13-2663101	11-2590706	65-0818740
CONTRIBUTIONS IN AID OF CONSTRUCTION						
DEFERRED INCOME TAX CREDITS						
FASB - ADDITIONAL PENSION LIABILITY						
TOTAL OTHER LIABILITIES						

SCHEDULE L

COMBINED ADJUSTMENTS TO SHAREHOLDERS' EQUITY

STATEMENT 26

	COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICAT IONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
		65-0727271	65-0727275	13-2663101	11-2590704	65-0818740
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)						
TOTAL ADJUSTMENTS TO EQUITY						

## Consolidated Schedule M-3, Part II Income (Loss) per Income Statement

Name <b>POSTCO, INC AND SUBSIDIARIES</b>	Employer ID Number <b>65-0727271</b>
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Schedule M-3 Part II Income (Loss) per Income Statement	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Income/loss from equity method foreign corporations			
Gross foreign dividends not previously taxed			
Subpart F, QEF, and similar income inclusions			
Section 78 gross-up			
Gross foreign distributions previously taxed			
Income/loss from equity method U.S. corporations			
U.S. dividends not eliminated in tax consolidation			
Minority interest for includible corporations			
Income/loss from U.S. partnerships			
Income/loss from foreign partnerships			
Income/loss from other pass-through entities			
Items relating to reportable transactions			
Interest income			
Total accrual to cash adjustment			
Hedging transactions			
Mark-to-market income/loss			
Cost of goods sold			
Sale versus lease			
Section 481(a) adjustments			
Unearned/deferred revenue			
Income recognition from long-term contracts			
Original issue discount and other imputed interest			
Income statement gain/loss on disposition of assets other than inventory			
Gross capital gain			
Gross capital losses			
Gain/loss reported on Form 4797, line 17			
Abandonment losses			
Worthless stock losses			
Other gain/loss on disposition of assets other than inventory			
Capital loss limitation and carry forward used			
Other income/loss items with differences			
Other income/loss items with no differences			
PC insurance subgroup reconciliation totals			
Life insurance subgroup reconciliation totals			

COMBINED SCHEDULE M-3, PART II, COLUMN A, PER INCOME STATEMENT

COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Income (Loss) Items</b>					
Income/loss from equity method foreign corporations					
Gross foreign dividends not previously taxed					
Gross foreign distributions previously taxed					
Income/loss from equity method U.S. corporations					
U.S. dividends not eliminated in tax consolidation					
Minority interest for includible corporations					
Income/loss from U.S. partnerships					
Income/loss from foreign partnerships					
Income/loss from other pass-through entities					
Items relating to reportable transactions					
Interest income					
Total accrual to cash adjustment					
Hedging transactions					
Mark-to-market income/loss					
Cost of goods sold					
Sale versus lease					
Unearned/deferred revenue					
Income recognition from long term contracts					
Original issue discount and other imputed interest					
Income statement gain/loss on disposition of assets other than inventory					
Other income/loss items with differences					
Other income/loss items with no differences					
PC insurance subgroup reconciliation totals					
Life insurance subgroup reconciliation totals					



## Consolidated Schedule M-3, Part II Income (Loss) Permanent Differences

Name

Employer ID Number

POSTCO, INC AND SUBSIDIARIES

65-0727271

Schedule M-3	Part II Income (Loss) Permanent Differences	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
	Income/loss from equity method foreign corporations			
	Gross foreign dividends not previously taxed			
	Subpart F, QEF, and similar income inclusions			
	Section 78 gross-up			
	Gross foreign distributions previously taxed			
	Income/loss from equity method U.S. corporations			
	U.S. dividends not eliminated in tax consolidation			
	Minority interest for includible corporations			
	Income/loss from U.S. partnerships			
	Income/loss from foreign partnerships			
	Income/loss from other pass-through entities			
	Items relating to reportable transactions			
	Interest income			
	Total accrual to cash adjustment			
	Hedging transactions			
	Mark-to-market income/loss			
	Cost of good sold			
	Sale versus lease			
	Section 481(a) adjustments			
	Unearned/deferred revenue			
	Income recognition from long-term contracts			
	Original issue discount and other imputed interest			
	Income statement gain/loss on disposition of assets other than inventory			
	Gross capital gain			
	Gross capital loss			
	Gain/loss reported on Form 4797, line 17			
	Abandonment losses			
	Worthless stock losses			
	Other gain/loss on disposition of assets other than inventory			
	Capital loss limitation and carry forward used			
	Other income/loss items with differences			
	Other income/loss items with no differences			
	PC insurance subgroup reconciliation totals			
	Life insurance subgroup reconciliation totals			

COMBINED SCHEDULE M-3, PART II, COLUMN C, PERMANENT DIFFERENCES

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Income (Loss) Items</b>						
Income/loss from equity method foreign corporations						
Gross foreign dividends not previously taxed						
Subpart F, QEF, and similar income inclusions						
Section 78 gross-up						
Gross foreign distributions previously taxed						
Income/loss from equity method U.S. corporations						
U.S. dividends not eliminated in tax consolidation						
Minority interest for includible corporations						
Income/loss from U.S. partnerships						
Income/loss from foreign partnerships						
Income/loss from other pass-through entities						
Items relating to reportable transactions						
Interest income						
Total accrual to cash adjustment						
Hedging transactions						
Mark-to-market income/loss						
Cost of goods sold						
Sale versus lease						
Section 481(a) adjustments						
Unearned/deferred revenue						
Income recognition from long term contracts						
Original issue discount and other imputed interest						
Income statement gain/loss on disposition of assets other than inventory						
Gross capital gain						
Gross capital loss						
Gain/loss reported on Form 4797, line 17						
Abandonment losses						
Worthless stock losses						
Other gain/loss on disposition of assets other than inventory						
Capital loss limitation and carryforward used						
Other income/loss items with differences						
PC insurance subgroup reconciliation totals						
Life insurance subgroup reconciliation totals						



## Consolidated Schedule M-3, Part II Income (Loss) per Tax Return

Name

Employer ID Number

POSTCO, INC AND SUBSIDIARIES

65-0727271

Schedule M-3	Part II Income (Loss) per Tax Return	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
	Income/loss from equity method foreign corporations			
	Gross foreign dividends not previously taxed			
	Subpart F, QEF, and similar income inclusions			
	Section 78 gross-up			
	Gross foreign distributions previously taxed			
	Income/loss from equity method U.S. corporations			
	U.S. dividends not eliminated in tax consolidation			
	Minority interest for includible corporations			
	Income/loss from U.S. partnerships			
	Income/loss from foreign partnerships			
	Income/loss from other pass-through entities			
	Items relating to reportable transactions			
	Interest income			
	Total accrual to cash adjustment			
	Hedging transactions			
	Mark-to-market income/loss			
	Cost of goods sold			
	Sale versus lease			
	Section 481(a) adjustments			
	Unearned/deferred revenue			
	Income recognition from long-term contracts			
	Original issue discount and other imputed interest			
	Income statement gain/loss on disposition of assets other than inventory			
	Gross capital gain			
	Gross capital loss			
	Gain/loss reported on Form 4797, line 17			
	Abandonment losses			
	Worthless stock losses			
	Other gain/loss on disposition of assets other than inventory			
	Capital loss limitation and carry forward used			
	Other income/loss items with differences			
	Other income/loss items with no differences			
	PC insurance subgroup reconciliation totals			
	Life insurance subgroup reconciliation totals			

COMBINED SCHEDULE M-3, PART II, COLUMN D, PER TAX RETURN

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Income (Loss) Items</b>						
Gross foreign dividends not previously taxed						
Subpart F, QEF, and similar income inclusions						
Section 78 gross-up						
U.S. dividends not eliminated in tax consolidation						
Income/loss from U.S. partnerships						
Income/loss from foreign partnerships						
Income/loss from other pass-through entities						
Items relating to reportable transactions						
Interest income						
Total accrual to cash adjustment						
Hedging transactions						
Mark-to-market income/loss						
Cost of goods sold						
Sale versus lease						
Section 481(a) adjustments						
Unearned/deferred revenue						
Income recognition from long term contracts						
Original issue discount and other imputed interest						
Gross capital gain						
Gross capital loss						
Gain/loss reported on Form 4797, line 17						
Abandonment losses						
Worthless stock losses						
Other gain/loss on disposition of assets other than inventory						
Capital loss limitation and carryforward used						
Other income/loss items with differences						
Other income/loss items with no differences						
PC insurance subgroup reconciliation totals						
Life insurance subgroup reconciliation totals						

# Consolidated Schedule M-3, Part III Expense per Income Statement

Name

Employer ID Number

POSTCO, INC AND SUBSIDIARIES

65-0727271

Schedule M-3	Part III Expense per Income Statement	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
	U.S. current income tax expense			
	U.S. tax deferred income tax expense			
	State and local current income tax expense			
	State and local deferred income tax expense			
	Foreign current income tax expense (other than foreign withholding taxes)			
	Foreign deferred income tax expense			
	Foreign withholding taxes			
	Interest expense			
	Stock option expense			
	Other equity based compensation			
	Meals and entertainment			
	Fines and penalties			
	Judgments, damages, awards and similar costs			
	Parachute payments			
	Compensation with Section 162(m) limitation			
	Pension and profit-sharing			
	Other post-retirement benefits			
	Deferred compensation			
	Charitable contribution of cash and tangible property			
	Charitable contribution of intangible property			
	Charitable contribution limitation/carryforward			
	Domestic production activities deduction			
	Current year acquisition or reorganization investment banking fees			
	Current year acquisition or reorganization legal and accounting fees			
	Current year acquisition/reorganization other costs			
	Amortization/impairment of goodwill			
	Amortization of acquisition, reorganization and start up costs			
	Other amortization or impairment write offs			
	Section 198 environmental remediation			
	Depletion			
	Depreciation			
	Bad debt expense			
	Corporate owned life insurance premiums			
	Purchase versus lease			
	Other expense/deduction items with differences			
	Other expense/deduction items with no differences			

SCHEDULE M-3, PART III, COLUMN A, PER INCOME STATEMENT

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65 0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13 2663101	ARROW COMMUNICATIONS INC. 11 2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Expense/Deduction Items</b>						
U.S. current income tax expense						
U.S. deferred income tax expense						
State and local current income tax expense						
State and local deferred income tax expense						
Foreign current income tax expense						
Foreign deferred income tax expense						
Foreign withholding taxes						
Interest expense						
Stock option expense						
Other equity-based compensation						
Meals and entertainment						
Fines and penalties						
Judgments, damages, awards and similar costs						
Parachute payments						
Compensation with section 162(m) limitation						
Pension and profit-sharing						
Other post-retirement benefits						
Deferred compensation						
Charitable contribution of cash/tangible property						
Charitable contribution of intangible property						
Current year acquisition/reorganization investment banking fees						
Current year acquisition/reorganization legal and accounting fees						
Current year acquisition/reorganization other costs						
Amortization/impairment of goodwill						
Amortization of acquisition reorganization and start-up costs						
Other amortization or impairment write-offs						
Section 198 environmental remediation costs						
Depletion						
Depreciation						
Bad debt expense						
Corporate owned life insurance premiums						
Purchase versus lease (for purchaser and/or lessees)						
Other expense/deduction items with differences						
Other expense/deduction items with no differences						

# Consolidated Schedule M-3, Part III Expense/Deduction Permanent Differences

Name

Employer ID Number

POSTCO, INC AND SUBSIDIARIES

65-0727271

Schedule M-3 Part III Expense/Deduction Permanent Differences	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
U.S. current income tax expense			
U.S. tax deferred income tax expense			
State and local current income tax expense			
State and local deferred income tax expense			
Foreign current income tax expense (other than foreign withholding taxes)			
Foreign deferred income tax expense			
Foreign withholding taxes			
Interest expense			
Stock option expense			
Other equity based compensation			
Meals and entertainment			
Fines and penalties			
Judgments, damages awards and similar costs			
Parachute payments			
Compensation with Section 162(m) limitation			
Pension and profit-sharing			
Other post-retirement benefits			
Deferred compensation			
Charitable contribution of cash and tangible property			
Charitable contribution of intangible property			
Charitable contribution limitation/carryforward			
Domestic production activities deduction			
Current year acquisition or reorganization investment banking fees			
Current year acquisition or reorganization legal and accounting fees			
Current year acquisition/reorganization other costs			
Amortization/impairment of goodwill			
Amortization of acquisition, reorganization and start up costs			
Other amortization or impairment write offs			
Section 198 environmental remediation			
Depletion			
Depreciation			
Bad debt expense			
Corporate owned life insurance premiums			
Purchase versus lease			
Other expense/deduction items with differences			
Other expense/deduction items with no differences			

SCHEDULE M-3, PART III, COLUMN C, PERMANENT DIFFERENCES

	COMBINED AMOUNTS	POSTCO, INC. 65 0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65 0818740
<b>Expense/Deduction Items</b>						
U.S. current income tax expense						
U.S. deferred income tax expense						
State and local current income tax expense						
State and local deferred income tax expense						
Foreign current income tax expense						
Foreign deferred income tax expense						
Foreign withholding taxes						
Interest expense						
Stock option expense						
Other equity-based compensation						
Meals and entertainment						
Fines and penalties						
Judgments, damages, awards and similar costs						
Parachute payments						
Compensation with section 162(m) limitation						
Pension and profit-sharing						
Other post-retirement benefits						
Deferred compensation						
Charitable contribution of cash/tangible property						
Charitable contribution of intangible property						
Charitable contribution limitation/carryforward						
Domestic production activities deduction						
Current year acquisition/reorganization investment banking fees						
Current year acquisition/reorganization legal and accounting fees						
Current year acquisition/reorganization other costs						
Amortization/impairment of goodwill						
Amortization of acquisition reorganization and start-up costs						
Other amortization or impairment write-offs						
Section 198 environmental remediation costs						
Depletion						
Depreciation						
Bad debt expense						
Corporate owned life insurance premiums						
Purchase versus lease (for purchaser and/or lessees)						
Other expense/deduction items with differences						



## Consolidated Schedule M-3, Part III Deductions per Tax Return

Name

Employer ID Number

POSTCO, INC AND SUBSIDIARIES

65-0727271

Schedule M-3	Part III Deductions per Tax Return	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
	U.S. current income tax expense			
	U.S. tax deferred income tax expense			
	State and local current income tax expense			
	State and local deferred income tax expense			
	Foreign current income tax expense (other than foreign withholding taxes)			
	Foreign deferred income tax expense			
	Foreign withholding taxes			
	Interest expense			
	Stock options expense			
	Other equity based compensation			
	Meals and entertainment			
	Fines and penalties			
	Judgments, damages, awards and similar costs			
	Parachute payments			
	Compensation with Section 162(m) limitation			
	Pension and profit-sharing			
	Other post-retirement benefits			
	Deferred compensation			
	Charitable contribution of cash and tangible property			
	Charitable contribution of intangible property			
	Charitable contribution limitation/carryforward			
	Domestic production activities deduction			
	Current year acquisition or reorganization investment banking fees			
	Current year acquisition or reorganization legal and accounting fees			
	Current year acquisition/reorganization other costs			
	Amortization/impairment of goodwill			
	Amortization of acquisition, reorganization and start up costs			
	Other amortization or impairment write offs			
	Section 198 environmental remediation			
	Depletion			
	Depreciation			
	Bad debt expense			
	Corporate owned life insurance premiums			
	Purchase versus lease			
	Other expense/deduction items with differences			
	Other expense/deduction items with no differences			

COMBINED SCHEDULE M-3, PART III, COLUMN D, PER TAX RETURN

COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11 2590704	PRINCESS AVIATION GROUP, INC. 65 0818740
<b>Expense/Deduction Items</b>					
State and local current income tax expense					
Foreign current income tax expense					
Foreign withholding taxes					
Interest expense					
Stock option expense					
Other equity-based compensation					
Meals and entertainment					
Fines and penalties					
Judgments, damages, awards and similar costs					
Parachute payments					
Compensation with section 162(m) limitation					
Pension and profit-sharing					
Other post-retirement benefits					
Deferred compensation					
Charitable contribution of cash/tangible property					
Charitable contribution of intangible property					
Charitable contribution limitation/carryforward					
Domestic production activities deduction					
Current year acquisition/reorganization investment banking fees					
Current year acquisition/reorganization legal and accounting fees					
Current year acquisition/reorganization other costs					
Amortization/impairment of goodwill					
Amortization of acquisition reorganization and start-up costs					
Other amortization or impairment write-offs					
Section 198 environmental remediation costs					
Depletion					
Depreciation					
Bad debt expense					
Corporate owned life insurance premiums					
Purchase versus lease (for purchaser and/or lessees)					
Other expense/deduction items with differences					
Other expense/deduction items with no differences					

**Consolidated Form 8916-A - Supplemental Attachment  
To Schedule M-3 Per Income Statement**

Name <b>POSTCO, INC AND SUBSIDIARIES</b>	Employee ID Number <b>65-0727271</b>
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Part I - Cost of Goods Sold	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Cost flow assumptions			
Stock option expense			
Other equity based compensation			
Meals and entertainment			
Parachute payments			
Compensation with section 162(m) limitation			
Pension and profit sharing			
Other post-retirement benefits			
Deferred compensation			
Section 198 environmental remediation costs			
Amortization			
Depletion			
Depreciation			
Corporate owned life insurance premiums			
Other section 263A costs			
Inventory shrinkage accruals			
Excess inventory and obsolescence reserves			
Lower of cost or market write-downs			
Other items with differences			
Other items with no differences			
Part II - Interest Income			
Tax-exempt interest income			
From hybrid securities			
Sale/lease interest income			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest income			
Part III - Interest Expense			
From hybrid securities			
Sale/lease interest expense			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest expense			

COMBINED FORM 8916-A - SUPPLEMENTAL ATTACHMENT TO SCHEDULE M-3 PER INCOME STATEMENT

COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Part I - Cost of Goods Sold</b>					
Cost flow assumptions					
Stock option expense					
Other equity based compensation					
Meals and entertainment					
Parachute payments					
Compensation with section 162(m) limitation					
Pension and profit-sharing					
Other post-retirement benefits					
Deferred compensation					
Section 198 environmental remediation costs					
Amortization					
Depletion					
Depreciation					
Corporate owned life insurance premiums					
Other section 263A costs					
Inventory shrinkage accruals					
Excess inventory and obsolescence reserves					
Lower of cost or market write-downs					
Other items with differences					
Other items with no differences					
<b>Part II - Interest Income</b>					
Tax-exempt					
From hybrid securities					
Sale/lease					
Intercompany - from outside tax affiliated group					
Intercompany - from tax affiliated group					
Other					
<b>Part III - Interest Expense</b>					
From hybrid securities					
Purchase/lease					
Intercompany - from outside tax affiliated group					
Intercompany - from tax affiliated group					
Other					

**Consolidated Form 8916-A - Supplemental Attachment  
To Schedule M-3 - Permanent Differences**

Name

Employee ID Number

POSTCO, INC AND SUBSIDIARIES

65-0727271

<b>Part I - Cost of Goods Sold</b>	<b>Combined Amounts</b>	<b>Consolidated Adjustments</b>	<b>Consolidated Amounts</b>
Cost flow assumptions			
Stock option expense			
Other equity based compensation			
Meals and entertainment			
Parachute payments			
Compensation with section 162(m) limitation			
Pension and profit sharing			
Other post-retirement benefits			
Deferred compensation			
Section 198 environmental remediation costs			
Amortization			
Depletion			
Depreciation			
Corporate owned life insurance premiums			
Other section 263A costs			
Inventory shrinkage accruals			
Excess inventory and obsolescence reserves			
Lower of cost or market write-downs			
Other items with differences			
Other items with no differences			
<b>Part II - Interest Income</b>			
Tax-exempt interest income			
From hybrid securities			
Sale/lease interest income			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest income			
<b>Part III - Interest Expense</b>			
From hybrid securities			
Sale/lease interest expense			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest expense			

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COMBINED 8916-A - SUPPLEMENTAL ATTACHMENT TO SCHEDULE M-3 - PERMANENT DIFFERENCES

COMBINED AMOUNTS	ITS				
	POSTCO, INC. 65 0727271	INDIANTOWN COMPANY, INC. 65-0727275	TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Part I - Cost of Goods Sold</b>					
Cost flow assumptions					
Stock option expense					
Other equity based compensation					
Meals and entertainment					
Parachute payments					
Compensation with section 162(m) limitation					
Pension and profit-sharing					
Other post-retirement benefits					
Deferred compensation					
Section 198 environmental remediation costs					
Amortization					
Depletion					
Depreciation					
Corporate owned life insurance premiums					
Other section 263A costs					
Inventory shrinkage accruals					
Excess inventory and obsolescence reserves					
Lower of cost or market write-downs					
Other items with differences					
<b>Part II - Interest Income</b>					
Tax-exempt					
From hybrid securities					
Sale/lease					
Intercompany - from outside tax affiliated group					
Intercompany - from tax affiliated group					
Other					
<b>Part III - Interest Expense</b>					
From hybrid securities					
Purchase/lease					
Intercompany - from outside tax affiliated group					
Intercompany - from tax affiliated group					
Other					

**Consolidated Form 8916-A - Supplemental Attachment  
To Schedule M-3 Per Tax Return**

Name

Employee ID Number

POSTCO, INC AND SUBSIDIARIES

65-0727271

<b>Part I - Cost of Goods Sold</b>	<b>Combined Amounts</b>	<b>Consolidated Adjustments</b>	<b>Consolidated Amounts</b>
Cost flow assumptions			
Stock option expense			
Other equity based compensation			
Meals and entertainment			
Parachute payments			
Compensation with section 162(m) limitation			
Pension and profit sharing			
Other post-retirement benefits			
Deferred compensation			
Section 198 environmental remediation costs			
Amortization			
Depletion			
Depreciation			
Corporate owned life insurance premiums			
Other section 263A costs			
Inventory shrinkage accruals			
Excess inventory and obsolescence reserves			
Lower of cost or market write-downs			
Other items with differences			
Other items with no differences			
<b>Part II - Interest Income</b>			
Tax-exempt interest income			
From hybrid securities			
Sale/lease interest income			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest income			
<b>Part III - Interest Expense</b>			
From hybrid securities			
Sale/lease interest expense			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest expense			

COMBINED 8916-A - SUPPLEMENTAL ATTACHMENT TO SCHEDULE M-3 PER TAX RETURN

COMBINED AMOUNTS	ITS				PRINCESS AVIATION GROUP, INC.
	POSTCO, INC.	INDIANTOWN COMPANY, INC.	TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	
	65 0727271	65-0727275	13-2663101	11-2590704	65-0818740
<b>Part I - Cost of Goods Sold</b>					
Cost flow assumptions					
Stock option expense					
Other equity based compensation					
Meals and entertainment					
Parachute payments					
Compensation with section 162(m) limitation					
Pension and profit-sharing					
Other post-retirement benefits					
Deferred compensation					
Section 198 environmental remediation costs					
Amortization					
Depletion					
Depreciation					
Corporate owned life insurance premiums					
Other section 263A costs					
Inventory shrinkage accruals					
Excess inventory and obsolescence reserves					
Lower of cost or market write-downs					
Other items with differences					
Other items with no differences					
<b>Part II - Interest Income</b>					
From hybrid securities					
Sale/lease					
Intercompany - from outside tax affiliated group					
Intercompany - from tax affiliated group					
Other					
<b>Part III - Interest Expense</b>					
From hybrid securities					
Purchase/lease					
Intercompany - from outside tax affiliated group					
Intercompany - from tax affiliated group					
Other					



# Statement of Consolidated Dividend Income

Name

Employer identification number

POSTCO, INC AND SUBSIDIARIES

65-0727271

Dividends	Schedule Reference	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)				
Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)				
Dividends on debt-financed stock of domestic and foreign corporations (section 246A)				
Dividends on certain preferred stock of less-than-20%-owned public utilities				
Dividends on certain preferred stock of 20%-or-more-owned public utilities				
Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction				
Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction				
Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))				
Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958				
Dividends from certain FSCs				
Dividends from affiliated group members subject to the 100% deduction				
Other dividends from foreign corporations not included above				
Income from controlled foreign corporations under subpart F				
Foreign dividend gross-up (section 78)				
IC-DISC and former DISC dividends not included above				
Other dividends				
<b>Total Dividends</b>				

**SCHEDULE OF COMBINED DIVIDEND INCOME**

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS INC. 11 2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Dividend Income</b>						
Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)						
Dividends from more-than-20%-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)						
Dividends on debt-financed stock of domestic and foreign corporations (section 246A)						
Dividends on certain preferred stock of less-than-20%-owned public utilities						
Dividends on certain preferred stock of 20%-or-more-owned public utilities						
Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction						
Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction						
Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))						
Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958						
Dividends from certain FSCs						
Dividends from affiliated group members subject to the 100% deduction						
Other dividends from foreign corporations not included above						
Income from controlled foreign corporations under subpart F						
Foreign dividend gross-up (section 78)						
IC-DISC and former DISC dividends not included above						
Other dividends						
<b>Total Dividends</b>						



## Statement of Consolidated Alternative Minimum Tax

Name

Employer identification number

POSTCO, INC AND SUBSIDIARIES

65-0727271

Alternative Minimum Taxable Income	Schedule Reference	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Taxable income or (loss) before NOL deduction				
<b>Adjustments and Preferences</b>				
Depreciation of tangible property				
Amortization of certified pollution control facilities				
Amortization of mining exploration and development costs				
Amortization of circulation expenditures				
Basis adjustments				
Long-term contracts entered into after Feb. 28, 1986				
Merchant marine capital construction funds				
Section 833(b) deduction				
Tax shelter farm activities				
Passive activities				
Certain loss limitations				
Depletion				
Private activity bonds issued after August 7, 1986				
Intangible drilling costs				
Other adjustments				
<b>Total Adjustment and Preference Items</b>				
<b>Pre-adjustment AMTI</b>				
Adjusted current earnings adjustment				
Combine pre-adjustment AMTI and above amount				
Alternative tax NOL deduction	STMT 27			
<b>Alternative Minimum Taxable Income</b>				

AMT NET OPERATING LOSS ADJUSTMENT

STATEMENT 27

90% AMT TAXABLE INCOME BEFORE NOL LIMITATION -397,171.

	SRLY OR SEC. 382 LIMIT	TOTAL AMT NOL AVAILABLE	TOTAL AMT NOL AFTER SRLY OR SEC. 382 LIMITATION	TOTAL AMT NOL DEDUCTED	REMAINING AMT TAXABLE INCOME AFTER NOL DEDUCTION
YEAR END	12/31/02				
YEAR END	12/31/03				
YEAR END	12/31/04				
YEAR END	12/31/05				

YEAR END 12/31/06

[REDACTED]

YEAR END 12/31/07

[REDACTED]

SUBTOTAL

[REDACTED]

CONSOLIDATED AMT NOL DEDUCTION  
COMBINED AMT NOL DEDUCTION

[REDACTED]

CONSOLIDATED AMT NOL ADJUSTMENT

[REDACTED]

ALLOCATION OF CURRENT CONSOLIDATED AMT NET  
OPERATING LOSS TO MEMBER CORPORATIONS

STATEMENT 28

CURRENT CONSOLIDATED AMT NOL	X	MEMBER'S CURRENT AMT NOL	/	TOTAL OF ALL MEMBERS WITH AMT NOL	=	AMT NOL ALLOCATED TO THIS COMPANY
12/31/08						
12/31/08						
12/31/08						
12/31/08						
12/31/08						

AMT CHARITABLE CONTRIBUTION ADJUSTMENT

STATEMENT 29

LIMITATION OF 10% OF AMT TAXABLE INCOME AS ADJUSTED

0.

ORIGINAL CONTRIBUTION	APPLIED TO DATE	CONTRIBUTION AVAILABLE	AMOUNT DEDUCTED	REMAINING LIMITATION AFTER DEDUCTION
CURRENT YEAR				

YEAR END 1

YEAR END

YEAR END

YEAR END

YEAR END

AMT CONSOLIDATED CHARITABLE DEDUCTION	0.
REGULAR CHARITABLE CONTRIBUTION DEDUCTION	0.
	<hr/>
CONSOLIDATED AMT CHARITABLE CONTRIBUTION DEDUCTION	0.
	<hr/> <hr/>

- 1) REGULAR TAXABLE INCOME BEFORE NOL, CHARITABLE CONTRIBUTIONS,  
AND DOMESTIC PRODUCTION ACTIVITIES DEDUCTION (DPAD) . . . . .
- 2) ADD: OTHER AMT ADJUSTMENT AND PREFERENCE ITEMS OTHER  
THAN ACE, CHARITABLE CONTRIBUTIONS AND DPAD . . . . .  
CAPITAL LOSS CARRYBACK UTILIZED . . . . .
- 3) PREADJUSTMENT AMTI BEFORE ACE, CONTRIBUTIONS, NOL, AND DPAD
- 4) ACE ADJUSTMENT ITEMS . . . . .
- 5) ACE WITHOUT CHARITABLE CONTRIBUTIONS (LINE 3 PLUS LINE 4) .
- 6) LINE 5 LESS LINE 3 (ENTER EXCESS AS A NEGATIVE AMOUNT) . . .
- 7) MULTIPLY LINE 6 BY 75%. ENTER RESULT AS A POSITIVE AMOUNT
- 8) ENTER EXCESS OF PRIOR YEAR NET INCREASES IN AMTI DUE TO ACE
- 9) ACE ADJUSTMENT: IF LINE 6 IS POSITIVE OR ZERO ENTER  
AMOUNT FROM LINE 7 HEREAS A POSITIVE AMOUNT  
IF LINE 6 IS NEGATIVE, ENTER THE SMALLER OF LINE 7  
OR LINE 8 HERE AS A NEGATIVE AMOUNT . . . . .
- 10) AMTI WITHOUT CONTRIBUTIONS, NOL AND DPAD (LINE 3 + LINE 9)
- 11) CONTRIBUTION LIMITATION TO CALCULATE 90% AMTI LIMITATION  
FOR NOL . . . . . (LINE 10 PLUS SPECIAL DEDUCTIONS  
NOT PREVIOUSLY INCLUDED IN THE ACE ADJUSTMENT ON LINE 9  
ABOVE, MULTIPLIED BY 10%) . . . . .
- 12A) TOTAL AVAILABLE 10% CONTRIBUTIONS . . . . .
- B) TOTAL AVAILABLE 100% CONTRIBUTION . . . . .
- 13A) 10% CONTRIBUTION DEDUCTION TO CALCULATE 90% AMTI  
LIMITATION FOR NOL (LESSER OF LINE 11 OR LINE 12A) . . . . .
- B) 100% AMT CHARITABLE DEDUCTION (LESSER LINE 12B OR 100% OF  
LINE 10 LESS LINE 13A) . . . . .
- C) TOTAL OF LINES 13A AND 13B . . . . .
- 14) AMTI FOR PURPOSES OF 90% NOL LIMITATION(LINE 10 LESS 13)
- 15) NOL LIMITATION, 90% OF LINE 14 . . . . .
- 16) TOTAL NOL AVAILABLE LESS ANY NOL CARRYBACK . . . . .
- 17) AMT NOL (LESSER OF LINE 15 OR LINE 16) . . . . .
- 18) AMTI FOR CHARITABLE DEDUCTION FOR 10 % LIMITATION (LINE 10  
LESS AMT NOL ON LINE 17 PLUS SPECIAL DEDUCTIONS NOT  
PREVIOUSLY INCLUDED AS AN ACE ADJUSTMENT ON LINE 9) . . .
- 19) 10% OF LINE 18 . . . . .
- 20A) 10% AMT CHARITABLE DEDUCTION (LESSER LINE 12A OR LINE 19)
- B) 100% AMT CHARITABLE DEDUCTION (LESS LINE 12B OR 100% OF  
LINE 10 LESS LINE 20A) . . . . .
- C) TOTAL AMT CHARITABLE DEDUCTION (LINE 20A PLUS LINE 20B) .
- 21) REGULAR CONTRIBUTION DEDUCTION . . . . .
- 22) AMT CONTRIBUTION ADJUSTMENT (LINE 21 LESS LINE 20) . . . . .
- 23) COMBINED AMT CHARITABLE CONTRIBUTION ADJUSTMENT . . . . .
- 24) CONSOLIDATED ADJUSTMENT TO LINE 20, FORM 4626 . . . . .



**SCHEDULE OF COMBINED ALTERNATIVE MINIMUM TAXABLE INCOME**

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS , INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Taxable income or (loss) before NOL deduction</b>						
<b>Adjustments and Preferences</b>						
Depreciation of tangible property						
Amortization of certified pollution control facilities						
Amortization of mining exploration and development costs						
Amortization of circulation expenditures						
Basis adjustments						
Long-term contracts entered into after Feb. 28, 1986						
Merchant marine capital construction funds						
Section 833(b) deduction						
Tax shelter farm activities						
Passive activities						
Certain loss limitations						
Depletion						
Private activity bond issued after August 7, 1986						
Intangible drilling costs						
Other adjustments						
<b>Total Adjustment and Preference Items</b>						
<b>Pre-adjustment AMTI</b>						
Adjusted current earnings adjustment						
Combined pre-adjustment AMTI and above amount						
Alternative tax NOL deduction						
<b>Alternative Minimum Taxable Income</b>						

# Statement of Consolidated Adjusted Current Earnings

Name

Employer identification number

POSTCO, INC AND SUBSIDIARIES

65-0727271

Adjusted Current Earnings	Schedule Reference	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Pre-adjustment AMTI				
<b>ACE Depreciation Adjustment</b>				
Depreciation expense recomputed for AMT purposes				
Post-1993 depreciation				
Post-1989, Pre-1994 property ACE depreciation				
Pre-1990 MACRS property ACE depreciation				
Pre-1990 original ACRS property ACE depreciation				
Sec. 168(f)(1) through (4) property ACE depreciation				
Other property ACE depreciation				
<b>Total ACE Depreciation</b>				
<b>ACE Depreciation Adjustment</b>				
<b>Inclusion in ACE of Items Included in E&amp;P</b>				
Tax-exempt interest income				
Death benefits from life insurance contracts				
All other distributions from life insurance contracts				
Inside buildup of undistributed income in life insur.				
Other items				
<b>Total Inclusion of Items</b>				
<b>Disallowance of Items Not Deductible in Computing E&amp;P</b>				
Certain dividends received				
Dividends paid on preferred stock of public utilities				
Dividends paid to an ESOP				
Non-patronage dividends				
Other items				
<b>Total Disallowance of Items</b>				
<b>Certain Other E&amp;P Adjustments</b>				
Intangible drilling costs				
Circulation expenditures				
Organizational expenditures				
LIFO inventory adjustments				
Installment sales				
<b>Total Other E&amp;P Adjustments</b>				
Disallowance of loss on exchange of debt pools				
Acquisition expenses of life insurance companies				
Depletion				
Basis adjustments				
<b>Adjusted Current Earnings</b>				
Subtract pre-adjustment AMTI from ACE				
<b>Adjusted Current Earnings Adjustment</b>				

**SCHEDULE OF COMBINED ADJUSTED CURRENT EARNINGS**

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13 2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Pre-adjustment AMTI</b>						
<b>ACE Depreciation Adjustment:</b>						
Depreciation expense recomputed for AMT purposes						
Post-1993 depreciation						
Post-1989, Pre-1994 property ACE						
Pre-1990 MACRS property ACE depreciation						
Pre-1990 original ACRS property ACE						
Sec. 168(f)(1) through (4) property ACE						
Other property ACE depreciation						
<b>Total ACE Depreciation</b>						
<b>ACE Depreciation Adjustment</b>						
<b>Inclusion in ACE of Items Included in E&amp;P:</b>						
Tax-exempt interest income						
Death benefits from life insurance contracts						
All other distributions from life insurance contracts						
Inside buildup of undistributed income in life insur.						
Other items						
<b>Total Inclusion of Items</b>						
<b>Disallowance of Items Not Deductible in Computing E&amp;P:</b>						
Certain dividends received						
Dividends paid on preferred stock of public utilities						
Dividends paid to an ESOP						
Non-patronage dividends						
Other items						
<b>Total Disallowance of Items</b>						
<b>Certain Other E&amp;P Adjustments</b>						
Intangible drilling costs						
Circulation expenditures						
Organizational expenditures						
LIFO inventory adjustments						
Installment sales						
<b>Total Other E&amp;P Adjustments</b>						
Disallowance of loss on exchange of debt pools						
Acquisition expenses of life insurance companies						
Depletion						
Basis adjustments						
<b>Adjusted Current Earnings</b>						
Subtract pre-adjustment AMTI from ACE						
<b>Adjusted Current Earnings Adjustment</b>						

Name of corporation (common parent, if consolidated return)

POSTCO, INC.

Employer identification number

65-0727271

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/LPC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach schedules for lines 1 through 11)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar inc inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corporations				
9 Income (loss) from U.S. partnerships				
10 Income (loss) from foreign partnerships				
11 Income (loss) from other pass-through entities				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)				
18 Sale versus lease (for sellers and/or reasons)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch)				
26 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 36)				
28 Other items with no differences				
29a Mixed groups, see instructions. All others, combine lines 26 through 28				
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c				

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

JWA  
#13322  
02-02-08

Schedule M-3 (Form 1120) 2008

Name of corporation (common parent if consolidated return)

POSTCO, INC.

Employer identification number

65-0727271

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/JPC group

Check if a sub-consolidator: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)				
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation/carryforward				
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 196 environmental remediation costs				
30 Depletion				
31 Depreciation				
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive				

JWA  
81-3323  
02-02-09

Schedule M-3 (Form 1120) 2008

**CONSOLIDATED ELIMINATIONS AND ADJUSTMENTS  
Supplemental Attachment to Schedule M-3**

OMB No. 1545-2061

Form **8916-A**

**2008**

Department of the Treasury  
Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S

Name of common parent  
**POSTCO, INC.**

Employer identification number  
**65-0727271**

Name of subsidiary

Employer identification number

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 Total cost of goods sold. Add lines 1 through 7, in columns a, b, c, and d				

JWA For Paperwork Reduction Act Notice, see page 4.

Form 8916-A (2008)

813315  
01-23-09

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

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Form 9915-A (2008)

Name of corporation (common parent, if consolidated return)

Employer identification number  
65-0727271

POSTCO, INC.

Check applicable box(es) (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/LPC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach schedules for lines 1 through 11)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corporations				
9 Income (loss) from U.S. partnerships				
10 Income (loss) from foreign partnerships				
11 Income (loss) from other pass-through entities				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)				
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch)				
26 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 36)				
28 Other items with no differences				
29a Mixed groups, see instructions. All others, combine lines 26 through 28				
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c				

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

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Schedule M-3 (Form 1120) 2008

813322  
02-02-09



Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number  
**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120A/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)	[REDACTED]			[REDACTED]
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment <b>STMT</b>	[REDACTED]		[REDACTED]	[REDACTED]
12 Fines and penalties				
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property	[REDACTED]			[REDACTED]
20 Charitable contribution of intangible property				
21 Charitable contribution limitation/carryforward	[REDACTED]	[REDACTED]		[REDACTED]
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion	[REDACTED]	[REDACTED]		[REDACTED]
31 Depreciation	[REDACTED]	[REDACTED]		[REDACTED]
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Supplemental Attachment to Schedule M-3

Form 8916-A

2008

Department of the Treasury Internal Revenue Service

Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

Name of common parent POSTCO, INC.

Employer identification number 65-0727271

Name of subsidiary

Employer identification number

Part I Cost of Goods Sold

Table with 5 columns: Cost of Goods Sold Items, (a) Expense per Income Statement, (b) Temporary Difference, (c) Permanent Difference, (d) Deduction per Tax Return. Rows include items like Stock option expense, Depreciation, and Total cost of goods sold.

JWA For Paperwork Reduction Act Notice, see page 4.

Form 8916-A (2008)

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

JWA

Form 8916-A (2008)

POSTCO, INC. 65-0727271  
 SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH NO DIFFERENCES

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	INCOME (LOSS) PER TAX RETURN
GROSS RECEIPTS OR SALES	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

POSTCO, INC. 65-0727271  
 SCHEDULE M-3 OTHER INCOME (LOSS) AND EXPENSE / DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	PER INCOME STATEMENT	PER TAX RETURN
OTHER INCOME (LOSS)	[REDACTED]	[REDACTED]
OTHER EXPENSE / DEDUCTION	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

POSTCO, INC. 65-0727271  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	EXPENSE/ DEDUCTION PER TAX RETURN
ACCOUNTING DEPARTMENT	[REDACTED]	[REDACTED]
MISCELLANEOUS	[REDACTED]	[REDACTED]
OFFICE EXPENSE	[REDACTED]	[REDACTED]
OFFICERS COMPENSATION	[REDACTED]	[REDACTED]
OUTSIDE SERVICES	[REDACTED]	[REDACTED]
POSTAGE	[REDACTED]	[REDACTED]
ROUNDING	[REDACTED]	[REDACTED]
TELEPHONE	[REDACTED]	[REDACTED]
TRAINING	[REDACTED]	[REDACTED]
TRAVEL	[REDACTED]	[REDACTED]
VEHICLE EXPENSES	[REDACTED]	[REDACTED]
DUES AND SUBSCRIPTIONS	[REDACTED]	[REDACTED]
EMPLOYEE BENEFIT PROGRAMS	[REDACTED]	[REDACTED]
INSURANCE	[REDACTED]	[REDACTED]
LEGAL FEES	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

POSTCO, INC. 65-0727271  
 SCHEDULE M-3 MEALS AND ENTERTAINMENT

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	INCOME (LOSS) PER TAX RETURN
MEALS AND ENTERTAINMENT	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Name of corporation (common parent, if consolidated return)

POSTCO, INC.

Employer identification number

65-0727271

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/LPC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

INDIANTOWN COMPANY, INC.

Employer identification number

65-0727275

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach schedules for lines 1 through 11)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corporations				
9 Income (loss) from U.S. partnerships				
10 Income (loss) from foreign partnerships				
11 Income (loss) from other pass-through entities				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)				
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch) <b>STMT</b>				
26 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 36)				
28 Other items with no differences				
29a Mixed groups, see instructions. All others, combine lines 26 through 28				
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c				

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number  
**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/LPC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**INDIANTOWN COMPANY, INC.**

Employer identification number  
**65-0727275**

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	[REDACTED]		[REDACTED]	
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)	[REDACTED]			[REDACTED]
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property	[REDACTED]			[REDACTED]
20 Charitable contribution of intangible property				
21 Charitable contribution limitation/carryforward		[REDACTED]		[REDACTED]
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion	[REDACTED]	[REDACTED]		[REDACTED]
31 Depreciation	[REDACTED]	[REDACTED]		[REDACTED]
32 Bad debt expense <b>STMT</b>	[REDACTED]			[REDACTED]
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule) <b>STMT</b>			[REDACTED]	[REDACTED]
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Form **8916-A**

Department of the Treasury  
Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

**2008**

Name of common parent  
**POSTCO, INC.**

Employer identification number  
**65-0727271**

Name of subsidiary  
**INDIANTOWN COMPANY, INC.**

Employer identification number  
**65-0727275**

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 Total cost of goods sold. Add lines 1 through 7, in columns a, b, c, and d.				

JWA For Paperwork Reduction Act Notice, see page 4.

Form 8916-A (2008)

813315  
01-23-09



**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

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Form 9916-A (2008)

INDIANTOWN COMPANY, INC. 65-0727275  
 SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	INCOME (LOSS) PER TAX RETURN
AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION	[REDACTED]		[REDACTED]	0.
TOTAL TO M-3, PART II, LINE 25	[REDACTED]		[REDACTED]	0.

INDIANTOWN COMPANY, INC. 65-0727275  
 SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH NO DIFFERENCES

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	INCOME (LOSS) PER TAX RETURN
ADMINISTRATIVE FEES GROSS RECEIPTS OR SALES	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

INDIANTOWN COMPANY, INC. 65-0727275  
 SCHEDULE M-3 OTHER INCOME (LOSS) AND EXPENSE / DEDUCTION  
 ITEMS WITH NO DIFFERENCES

DESCRIPTION	PER INCOME STATEMENT	PER TAX RETURN
OTHER INCOME (LOSS) OTHER EXPENSE / DEDUCTION	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

INDIANTOWN COMPANY, INC. 65-0727275  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	EXPENSE/ DEDUCTION PER TAX RETURN
RECLASSIFY 2.5% OF EXECUTIVE EXPENSE SUBJECT TO 50% LIMIT	0.		[REDACTED]	[REDACTED]
TOTAL TO M-3, PART III, LINE 35	0.		[REDACTED]	[REDACTED]

INDIANTOWN COMPANY, INC. 65-0727275  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	EXPENSE/ DEDUCTION PER TAX RETURN
ACCOUNTING FEES	[REDACTED]	[REDACTED]
ADVERTISING	[REDACTED]	[REDACTED]
CHEMICALS	[REDACTED]	[REDACTED]
DUES AND SUBSCRIPTIONS	[REDACTED]	[REDACTED]
DUMPING FEES	[REDACTED]	[REDACTED]
EMPLOYEE BENEFIT PROGRAMS	[REDACTED]	[REDACTED]
ENGINEERING FEES	[REDACTED]	[REDACTED]
EQUIPMENT RENTAL	[REDACTED]	[REDACTED]
FUEL	[REDACTED]	[REDACTED]
INSURANCE	[REDACTED]	[REDACTED]
LEGAL FEES	[REDACTED]	[REDACTED]
MANAGEMENT FEES	[REDACTED]	[REDACTED]
MISCELLANEOUS	[REDACTED]	[REDACTED]
MUNICIPAL FEES	[REDACTED]	[REDACTED]
OFFICE EXPENSE	[REDACTED]	[REDACTED]
OTHER EXPENSE	[REDACTED]	[REDACTED]
OUTSIDE SERVICES	[REDACTED]	[REDACTED]
PAYROLL TAX	[REDACTED]	[REDACTED]
PENALTIES	[REDACTED]	[REDACTED]
PERSONAL PROPERTY TAX	[REDACTED]	[REDACTED]
POSTAGE	[REDACTED]	[REDACTED]
PROFESSIONAL FEES	[REDACTED]	[REDACTED]
REAL ESTATE TAX	[REDACTED]	[REDACTED]
RECYCLING EXPENSES	[REDACTED]	[REDACTED]
REGULATORY EXPENSES	[REDACTED]	[REDACTED]
RENTS	[REDACTED]	[REDACTED]
REPAIRS	[REDACTED]	[REDACTED]
ROUNDING	[REDACTED]	[REDACTED]

SALARIES AND WAGES  
SLUDGE REMOVAL  
SUPPLIES  
TELEPHONE  
UNIFORMS  
UTILITIES  
UTILITY ASSESSMENTS  
VEHICLE EXPENSES

[REDACTED]

TOTAL TO SCHEDULE M-3, PART II, LINE 28

INDIANTOWN COMPANY, INC.  
SCHEDULE M-3

65-0727275

BAD DEBT EXPENSE

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	INCOME (LOSS) PER TAX RETURN
BAD DEBT	[REDACTED]	0.	0.	[REDACTED]
TOTAL	[REDACTED]	0.	0.	[REDACTED]

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120A/PC group

Check if a sub consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**ITS TELECOMMUNICATIONS SYSTEMS, INC.**

Employer identification number

**13-2663101**

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach schedules for lines 1 through 11)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, DEF, and similar inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corporations				
9 Income (loss) from U.S. partnerships				
10 Income (loss) from foreign partnerships				
11 Income (loss) from other pass-through entities				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)	( )			( )
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch)				
26 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 36)				
28 Other items with no differences				
29a Mixed groups: see instructions. All others, combine lines 26 through 28				
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c				

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**ITS TELECOMMUNICATIONS SYSTEMS, INC.**

Employer identification number

**13-2663101**

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	[REDACTED]		[REDACTED]	
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)	[REDACTED]			[REDACTED]
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property	[REDACTED]			[REDACTED]
20 Charitable contribution of intangible property				
21 Charitable contribution limitation/carryforward		[REDACTED]		[REDACTED]
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation	[REDACTED]	[REDACTED]		[REDACTED]
32 Bad debt expense <b>STMT</b>	[REDACTED]			[REDACTED]
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule) <b>STMT</b>			[REDACTED]	[REDACTED]
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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02-02-03

Form **8916-A**

Department of the Treasury  
Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

**2008**

Name of common parent  
**POSTCO, INC.**

Employer identification number  
**65-0727271**

Name of subsidiary  
**ITS TELECOMMUNICATIONS SYSTEMS, INC.**

Employer identification number  
**13-2663101**

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 Total cost of goods sold. Add lines 1 through 7, in columns a, b, c, and d.				

JWA For Paperwork Reduction Act Notice, see page 4.

Form 8916-A (2008)

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01-23-09

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

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Form 8916-A (2008)



ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101  
SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH NO DIFFERENCES

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	INCOME (LOSS) PER TAX RETURN
AMORTIZATION OF 1988/89 FPSC EXCESS EARNINGS	[REDACTED]	[REDACTED]
GROSS RECEIPTS OR SALES	[REDACTED]	[REDACTED]
OTHER INCOME	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101  
SCHEDULE M-3 OTHER INCOME (LOSS) AND EXPENSE / DEDUCTION  
ITEMS WITH NO DIFFERENCES

DESCRIPTION	PER INCOME STATEMENT	PER TAX RETURN
OTHER INCOME (LOSS)	[REDACTED]	[REDACTED]
OTHER EXPENSE / DEDUCTION	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	EXPENSE/ DEDUCTION PER TAX RETURN
RECLASSIFY 2.5% OF EXECUTIVE EXPENSE SUBJECT TO 50% LIMIT	0.			
TOTAL TO M-3, PART III, LINE 35	0.			

ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	EXPENSE/ DEDUCTION PER TAX RETURN
ACCESS CHARGES		
ACCOUNTING DEPARTMENT		
ADMINISTRATION		
ADVERTISING		
CALL COMPLETION SERVICE		
COMPUTER EXPENSES		
CONTRACT OPERATORS		
CUSTOMER SERVICES		
DIRECTORY COSTS		
EMPLOYEE BENEFIT PROGRAMS		
ENGINEERING DEPARTMENT		
EXECUTIVE DEPARTMENT		
EXECUTIVE EXPENSES		
FLORIDA		
FLORIDA UTILITY TAX		
INSURANCE		
LEGAL FEES		
LOCAL TESTING		
MATERIALS		
OTHER EXPENSES		
OTHER OPERATING EXPENSE		
OUTSIDE SERVICES		
PERSONAL PROPERTY TAX		
PLANT SUPERVISION		
REAL ESTATE TAX		
REPAIRS		
ROUNDING		
SALARIES AND WAGES		

UTILITIES

TOTAL TO SCHEDULE M-3, PART II, LINE 28

[REDACTED]

ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101  
 SCHEDULE M-3 BAD DEBT EXPENSE

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	INCOME (LOSS) PER TAX RETURN
BAD DEBT	[REDACTED]	0.	0.	[REDACTED]
TOTAL	[REDACTED]	0.	0.	[REDACTED]

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/LPC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**ARROW COMMUNICATIONS, INC.**

Employer identification number

**11-2590704**

**Part II. Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return (see instructions)**

Income (Loss) items (Attach schedules for lines 1 through 11)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corporations				
9 Income (loss) from U.S. partnerships				
10 Income (loss) from foreign partnerships				
11 Income (loss) from other pass-through entities				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)				
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gains/losses on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch)				
26 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 36)			2.	
28 Other items with no differences				
29a Mixed groups see instructions. All others combine lines 26 through 28			2.	
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c			2.	

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

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02-02-09

Schedule M-3 (Form 1120) 2008

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a s.-s.-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**ARROW COMMUNICATIONS, INC.**

Employer identification number

**11-2590704**

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items (see instructions)**

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)	[REDACTED]			[REDACTED]
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property	[REDACTED]			[REDACTED]
20 Charitable contribution of intangible property				
21 Charitable contribution limitation/carry-forward		[REDACTED]		[REDACTED]
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs	[REDACTED]	[REDACTED]		[REDACTED]
29 Section 198 environmental remediation costs				
30 Depletion	[REDACTED]	[REDACTED]		[REDACTED]
31 Depreciation	[REDACTED]	[REDACTED]		[REDACTED]
32 Bad debt expense <b>STMT</b>	[REDACTED]	[REDACTED]		[REDACTED]
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule) <b>STMT</b>			[REDACTED]	[REDACTED]
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Form **8916-A**

**SUBSIDIARY VERSION  
Supplemental Attachment to Schedule M-3**

OMB No. 1545-2061

**2008**

Department of the Treasury  
Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

Name of common parent  
**POSTCO, INC.**

Employer identification number  
**65-0727271**

Name of subsidiary  
**ARROW COMMUNICATIONS, INC.**

Employer identification number  
**11-2590704**

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 19B environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule) <b>SEE STATEMENT</b>				
7 Other items with no differences				
8 Total cost of goods sold. Add lines 1 through 7, in columns a, b, c, and d				

JWA For Paperwork Reduction Act Notice, see page 4.

Form 8916-A (2008)

813315  
01-23-09

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

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Form 8916-A (2008)

ARROW COMMUNICATIONS, INC. 11-2590704  
 SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH NO DIFFERENCES

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	INCOME (LOSS) PER TAX RETURN
GROSS RECEIPTS OR SALES	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

ARROW COMMUNICATIONS, INC. 11-2590704  
 SCHEDULE M-3 OTHER INCOME (LOSS) AND EXPENSE / DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	PER INCOME STATEMENT	PER TAX RETURN
OTHER INCOME (LOSS)	[REDACTED]	[REDACTED]
OTHER EXPENSE / DEDUCTION	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]



ARROW COMMUNICATIONS, INC. 11-2590704  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	EXPENSE/ DEDUCTION PER TAX RETURN
RECLASSIFY 2.5% OF EXECUTIVE EXPENSE SUBJECT TO 50% LIMIT	0.			
TOTAL TO M-3, PART III, LINE 35	0.			

ARROW COMMUNICATIONS, INC. 11-2590704  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	EXPENSE/ DEDUCTION PER TAX RETURN
ACCOUNTING DEPARTMENT		
ADVERTISING		
CUSTOMER SERVICES		
DUES AND SUBSCRIPTIONS		
EMPLOYEE BENEFIT PROGRAMS		
EXECUTIVE DEPARTMENT		
FL ANNUAL REPORT		
INSURANCE		
MISCELLANEOUS		
OFFICE EXPENSE		
OTHER COSTS OF OPERATIONS		
OUTSIDE SERVICES		
PROMOTIONAL EXPENSES		
REAL ESTATE TAX		
RENTS		
ROUNDING		
SALARIES AND WAGES		
TRAINING		
UNIFORMS		
TOTAL TO SCHEDULE M-3, PART II, LINE 28		

ARROW COMMUNICATIONS, INC.  
SCHEDULE M-3

11-2590704

BAD DEBT EXPENSE

DESCRIPTION	INCOME (LOSS)			INCOME (LOSS) PER TAX RETURN
	PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	
BAD DEBT	[REDACTED]	0.	0.	[REDACTED]
TOTAL	[REDACTED]	0.	0.	[REDACTED]

ARROW COMMUNICATIONS, INC.  
FORM 8916-A

11-2590704  
OTHER ITEMS WITH NO DIFFERENCES

DESCRIPTION	PER INCOME STATEMENT	PER TAX RETURN
ENDING INVENTORY	[REDACTED]	[REDACTED]
PURCHASES	[REDACTED]	[REDACTED]
BEGINNING INVENTORY	[REDACTED]	[REDACTED]
SALARIES AND WAGES	[REDACTED]	[REDACTED]
TOTAL TO LINE 7	[REDACTED]	[REDACTED]

Schedule M-3 (Form 1120) 2008

Name of corporation (common parent, if consolidated return)

POSTCO, INC.

Employer identification number

65-0727271

Check applicable box(es): (1) Consolidated group (2) Parent corp (3) Consolidated eliminations (4) X Subsidiary corp (5) Mixed 1120/LPC group

Check if a subsidiary: (6) 1120 group (7) 1120 eliminations

Name of subsidiary (if consolidated return)

PRINCESS AVIATION GROUP, INC.

Employer identification number

65-0818740

Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return (see instructions)

Table with 4 columns: (a) Income (Loss) per Income Statement, (b) Temporary Difference, (c) Permanent Difference, (d) Income (Loss) per Tax Return. Rows include items like Income (loss) from equity method foreign corporations, Gross foreign dividends, Section 78 gross-up, etc.

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

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813322 02-02-09

Schedule M-3 (Form 1120) 2008

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number  
**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**PRINCESS AVIATION GROUP, INC.**

Employer identification number  
**65-0818740**

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items (see instructions)**

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)				
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation/carryforward				
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation				
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27, reporting positive amounts as negative and negative amounts as positive				

PRINCESS AVIATION GROUP, INC. 65-0818740  
SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	EXPENSE/ DEDUCTION PER TAX RETURN
ACCOUNTING FEES	[REDACTED]	[REDACTED]
BANK CHARGES	[REDACTED]	[REDACTED]
INSURANCE	[REDACTED]	[REDACTED]
MANAGEMENT FEES	[REDACTED]	[REDACTED]
MISCELLANEOUS	[REDACTED]	[REDACTED]
RENT	[REDACTED]	[REDACTED]
ROUNDING	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

POSTCO, INC AND SUBSIDIARIES  
P.O. BOX 398  
INDIANTOWN, FL 34956-0398

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE CENTER  
OGDEN, UT 84201-0012



**U.S. Corporation Income Tax Return**  
For calendar year 2007 or tax year

OMB No. 1545-0123

**2007**

beginning EXTENSION GRANTED TO 09/15/08, ending

- A Check if:**  
 1a Consolidated return (attach Form 951)   
 b Life/nonlife consolidated return   
 2 Personal holding co. (attach Sch. PH)   
 3 Personal service corp. (see instructions)   
 4 Schedule M-3 attached

**Use IRS label. Otherwise, print or type.**  
 Name **POSTCO, INC AND SUBSIDIARIES**  
 Number, street, and room or suite no. If a P.O. box, see instructions. **P.O. BOX 398**  
 City or town, state, and ZIP code **INDIANTOWN, FL 34956-0398**

**B** Employer identification number **65-0727271**  
**C** Date incorporated **03/05/1997**  
**D** Total assets (see instructions) \$ [REDACTED]

**E Check if:** (1)  Initial return (2)  Final return (3)  Name change (4)  Address change

Income	1	Gross receipts or sales	10,268,256.	b Less returns and allowances		c Bal	1c	[REDACTED]
	2	Cost of goods sold (Schedule A, line 8)					2	[REDACTED]
	3	Gross profit. Subtract line 2 from line 1c					3	[REDACTED]
	4	Dividends (Schedule C, line 19)					4	[REDACTED]
	5	Interest					5	[REDACTED]
	6	Gross rents					6	[REDACTED]
	7	Gross royalties					7	[REDACTED]
	8	Capital gain net income (attach Schedule D (Form 1120))					8	[REDACTED]
	9	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)					9	[REDACTED]
	10	Other income (attach schedule) <b>SEE CONSOLIDATED INCOME AND DEDUCTIONS</b>					10	[REDACTED]
	11	<b>Total income.</b> Add lines 3 through 10					11	[REDACTED]
Deductions (See instructions for limitations on deductions.)	12	Compensation of officers (Schedule E, line 4)					12	[REDACTED]
	13	Salaries and wages (less employment credits)					13	[REDACTED]
	14	Repairs and maintenance					14	[REDACTED]
	15	Bad debts					15	[REDACTED]
	16	Rents					16	[REDACTED]
	17	Taxes and licenses					17	[REDACTED]
	18	Interest					18	[REDACTED]
	19	Charitable contributions					19	[REDACTED]
	20	Depreciation from Form 4562 not claimed on Schedule A or elsewhere on return (attach Form 4562)					20	[REDACTED]
	21	Depletion					21	[REDACTED]
	22	Advertising					22	[REDACTED]
	23	Pension, profit-sharing, etc., plans					23	[REDACTED]
	24	Employee benefit programs					24	[REDACTED]
	25	Domestic production activities deduction (attach Form 8903)					25	[REDACTED]
	26	Other deductions (attach schedule) <b>SEE CONSOLIDATED INCOME AND DEDUCTIONS</b>					26	[REDACTED]
	27	<b>Total deductions.</b> Add lines 12 through 26					27	[REDACTED]
	Tax and Payments	28	Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11					28
29		Less: a Net operating loss deduction	29a	[REDACTED]			29c	[REDACTED]
		b Special deductions (Schedule C, line 20)	29b	[REDACTED]			29c	[REDACTED]
30		<b>Taxable income.</b> Subtract line 29c from line 28 (see instructions)					30	[REDACTED]
31		<b>Total tax</b> (Schedule J, line 10)					31	[REDACTED]
32a		2006 overpayment credited to 2007	32a	[REDACTED]				
32b		2007 estimated tax payments	32b	[REDACTED]				
32c		2007 refund applied for on Form 4466	32c	[REDACTED]				
d		Bal	32d	[REDACTED]				
e		Tax deposited with Form 7004	32e	[REDACTED]				
f	Credits: (1) Form 2439 (2) Form 4136	32f	[REDACTED]			32g	[REDACTED]	
33	Estimated tax penalty (see instructions). Check if Form 2220 is attached <input checked="" type="checkbox"/>					33	[REDACTED]	
34	<b>Amount owed.</b> If line 32g is smaller than the total of lines 31 and 33, enter amount owed					34	[REDACTED]	
35	<b>Overpayment.</b> If line 32g is larger than the total of lines 31 and 33, enter amount overpaid					35	[REDACTED]	
36	Enter amount from line 35 you want: <b>Credited to 2008 estimated tax</b> [REDACTED] <b>Refunded</b> [REDACTED]					36	[REDACTED]	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

**Sign Here**  
 Signature of officer: \_\_\_\_\_ Date: \_\_\_\_\_ Title: **VICE PRESIDENT**  
 May the IRS discuss this return with the preparer shown below?  Yes  No

**Paid Preparer's Use Only**  
 Preparer's signature: **THOMAS BONO** Date: **10/26/09** Check if self-employed   
 Preparer's SSN or PTIN: **P00020883**  
 Firm's name (or yours if self-employed), address, and ZIP code: **BONO, CHAZOTTE & DALLE MOLLE, P.A.**  
**28 WEST GRAND AVENUE - SUITE 1**  
**MONTVALE, NJ 07645-2100**  
 EIN: **22 3177970**  
 Phone no.: **201-326-3800**



**Schedule A Cost of Goods Sold** (see instructions)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	<b>Total.</b> Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

(i)  Cost

(ii)  Lower of cost or market

(iii)  Other (Specify method used and attach explanation.)

b Check if there was a writedown of subnormal goods

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO 9d

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation?  Yes  No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory?  Yes  No  
If "Yes," attach explanation

**Schedule C Dividends and Special Deductions** (see instructions)

	(a) Dividends received	(b) %	(c) Special deductions (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		70	
2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		80	
3 Dividends on debt-financed stock of domestic and foreign corporations		See instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		42	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		48	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs		70	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs		80	
8 Dividends from wholly owned foreign subsidiaries		100	
9 <b>Total.</b> Add lines 1 through 8			
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from affiliated group members		100	
12 Dividends from certain FSCs		100	
13 Dividends from foreign corporations not included on lines 3, 6, 7, 8, 11, or 12			
14 Income from controlled foreign corporations under subpart F (attach Form(s) 5471)			
15 Foreign dividend gross-up			
16 IC-DISC and former DISC dividends not included on lines 1, 2, or 3			
17 Other dividends			
18 Deduction for dividends paid on certain preferred stock of public utilities			
19 <b>Total dividends.</b> Add lines 1 through 17. Enter here and on page 1, line 4			
<b>SEE STATEMENT OF CONSOLIDATED DIVIDEND INCOME</b>			
20 <b>Total special deductions.</b> Add lines 9, 10, 11, 12, and 18. Enter here and on page 1, line 29b			

**Schedule E Compensation of Officers** (see instructions for page 1, line 12)

Note: Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
ROBERT M. POST, JR.	128-36-8759				
JEFFREY LESLIE	264-19-9213				
LINDA POST	093-38-7265				
LINDA M. POST	093-38-7265				
2 Total compensation of officers					
3 Compensation of officers claimed on Schedule A and elsewhere on return					
4 Subtract line 3 from line 2. Enter the result here and on page 1, line 12					

**Schedule J Tax Computation** (see instructions)

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>	
2	Income tax. Check if a qualified personal service corporation (see instructions)	<input type="checkbox"/>	2
3	Alternative minimum tax (attach Form 4626)		3
4	Add lines 2 and 3		4
5a	Foreign tax credit (attach Form 1118)		5a
b	Credits from Forms 5735 and 8834		5b
c	General business credit. Check applicable box(es): <input type="checkbox"/> Form 3800 <input type="checkbox"/> Form 5884 <input type="checkbox"/> Form 6478 <input type="checkbox"/> Form 8835, Section B <input type="checkbox"/> Form 8844 <input type="checkbox"/> Form 8846		5c
d	Credit for prior year minimum tax (attach Form 8827)		5d
e	Bond credits from: <input type="checkbox"/> Form 8860 <input type="checkbox"/> Form 8912		5e
6	<b>Total credits.</b> Add lines 5a through 5e		6
7	Subtract line 6 from line 4		7
8	Personal holding company tax (attach Schedule PH (Form 1120))		8
9	Other taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611 <input type="checkbox"/> Form 8697 <input type="checkbox"/> Form 8866 <input type="checkbox"/> Form 8902 <input type="checkbox"/> Other (attach schedule)		9
10	<b>Total tax.</b> Add lines 7 through 9. Enter here and on page 1, line 31		10

**Schedule K Other Information** (see instructions)

		Yes	No			Yes	No
1	Check accounting method: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) _____			7	At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of (a) the total voting power of all classes of stock of the corporation entitled to vote or (b) the total value of all classes of stock of the corporation? If "Yes," enter: (a) Percentage owned _____ and (b) Owner's country _____		
2	See the instructions and enter the: a Business activity code no. <b>221300</b> b Business activity <b>PUBLIC UTILITIES</b> c Product or service <b>TELEPHONE, WATER, SEWE</b>			c	The corporation may have to file Form 5472, Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter number of Forms 5472 attached _____		
3	At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) taxable income or (loss) before NOL and special deduction of such corporation for the tax year ending with or within your tax year.	X		8	Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		X
4	Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter name and EIN of the parent corporation _____		X	9	Enter the amount of tax-exempt interest received or accrued during the tax year \$ _____		
5	At the end of the tax year, did any individual, partnership, corporation, estate, or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned _____	X		10	Enter the number of shareholders at the end of the tax year (if 100 or fewer) <b>1</b>		
6	During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452, Corporate Report of Nondividend Distributions. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		X	11	If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here <input type="checkbox"/> If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.		
				12	Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) \$ _____		
				13	Are the corporation's total receipts (line 1a plus lines 4 through 10 on page 1) for the tax year and its total assets at the end of the tax year less than \$250,000? If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2 on page 4. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year. \$ _____		X

JWA

Form 1120 (2007)

**Schedule L** Balance Sheets per Books

**Assets**

- 1 Cash .....
- 2a Trade notes and accounts receivable .....
- b Less allowance for bad debts .....
- 3 Inventories .....
- 4 U.S. government obligations .....
- 5 Tax-exempt securities .....
- 6 Other current assets (att. sch.) .....
- 7 Loans to shareholders .....
- 8 Mortgage and real estate loans .....
- 9 Other investments (att. sch.) .....
- 10a Buildings and other depreciable assets .....
- b Less accumulated depreciation .....
- 11a Depletable assets .....
- b Less accumulated depletion .....
- 12 Land (net of any amortization) .....
- 13a Intangible assets (amortizable only) .....
- b Less accumulated amortization .....
- 14 Other assets (att. sch.) .....
- 15 Total assets .....

**Liabilities and Shareholders' Equity**

- 16 Accounts payable .....
- 17 Mortgages, notes, bonds payable in less than 1 year .....
- 18 Other current liabilities (att. sch.) .....
- 19 Loans from shareholders .....
- 20 Mortgages, notes, bonds payable in 1 year or more .....
- 21 Other liabilities (att. sch.) .....
- 22 Capital stock: a Preferred stock .....
- b Common stock .....
- 23 Additional paid-in capital .....
- 24 Retained earnings - Appropriated (attach schedule) .....
- 25 Retained earnings - Unappropriated .....
- 26 Adjustments to shareholders' equity (attach schedule) .....
- 27 Less cost of treasury stock .....
- 28 Total liabilities and shareholders' equity .....

**Schedule M-1** Reconciliation

Note: Schedule M-3 req

- 1 Net income (loss) per books .....
- 2 Federal income tax per books .....
- 3 Excess of capital losses over capital gains .....
- 4 Income subject to tax not recorded on books this year (itemize): .....
- 5 Expenses recorded on books this year not deducted on this return (itemize): .....
- a Depreciation .....
- b Charitable contributions .....
- c Travel and entertainment .....
- 6 Add lines 1 through 5 .....

**Schedule M-2** Analysis of Unap

- 1 Balance at beginning of year .....
- 2 Net income (loss) per books .....
- 3 Other increases (itemize): .....
- 4 Add lines 1, 2, and 3 .....

**Alternative Minimum Tax - Corporations**

▶ See separate instructions.  
 ▶ Attach to the corporation's tax return.

**2007**

**POSTCO, INC AND SUBSIDIARIES**

Employer identification number  
**65-0727271**

**Note:** See the instructions to find out if the corporation is a small corporation exempt from the alternative minimum tax (AMT) under section 55(e).

1	Taxable income or (loss) before net operating loss deduction		1	[REDACTED]
2	<b>Adjustments and preferences:</b>			
a	Depreciation of post-1986 property		2a	[REDACTED]
b	Amortization of certified pollution control facilities		2b	[REDACTED]
c	Amortization of mining exploration and development costs		2c	
d	Amortization of circulation expenditures (personal holding companies only)		2d	
e	Adjusted gain or loss		2e	
f	Long-term contracts		2f	
g	Merchant marine capital construction funds		2g	
h	Section 833(b) deduction (Blue Cross, Blue Shield, and similar type organizations only)		2h	
i	Tax shelter farm activities (personal service corporations only)		2i	
j	Passive activities (closely held corporations and personal service corporations only)		2j	
k	Loss limitations		2k	
l	Depletion		2l	
m	Tax-exempt interest income from specified private activity bonds		2m	
n	Intangible drilling costs		2n	
o	Other adjustments and preferences		2o	[REDACTED]
3	Pre-adjustment alternative minimum taxable income (AMTI). Combine lines 1 through 2o		3	[REDACTED]
4	<b>Adjusted current earnings (ACE) adjustment:</b>			
a	ACE from line 10 of the ACE worksheet in the instructions	4a	[REDACTED]	
b	Subtract line 3 from line 4a. If line 3 exceeds line 4a, enter the difference as a negative amount (see instructions)	4b	[REDACTED]	
c	Multiply line 4b by 75% (.75). Enter the result as a positive amount	4c	[REDACTED]	
d	Enter the excess, if any, of the corporation's total increases in AMTI from prior year ACE adjustments over its total reductions in AMTI from prior year ACE adjustments (see instructions). <b>Note:</b> You <b>must</b> enter an amount on line 4d (even if line 4b is positive)	4d	[REDACTED]	
e	ACE adjustment. <ul style="list-style-type: none"> <li>If line 4b is zero or more, enter the amount from line 4c</li> <li>If line 4b is less than zero, enter the <b>smaller</b> of line 4c or line 4d as a negative amount</li> </ul>		4e	[REDACTED]
5	Combine lines 3 and 4e. If zero or less, stop here; the corporation does not owe any AMT		5	[REDACTED]
6	Alternative tax net operating loss deduction (see instructions)		6	[REDACTED]
7	<b>Alternative minimum taxable income.</b> Subtract line 6 from line 5. If the corporation held a residual interest in a REMIC, see instructions		7	[REDACTED]
8	<b>Exemption phase-out</b> (if line 7 is \$310,000 or more, skip lines 8a and 8b and enter -0- on line 8c):			
a	Subtract \$150,000 from line 7 (if completing this line for a member of a controlled group, see instructions). If zero or less, enter -0-	8a	0.	
b	Multiply line 8a by 25% (.25)	8b	0.	
c	Exemption. Subtract line 8b from line 7. If zero or less, enter -0-		8c	[REDACTED]
9	Subtract line 8c from line 7. If zero or less, enter -0-		9	[REDACTED]
10	Multiply line 9 by 20% (.20)		10	[REDACTED]
11	Alternative minimum tax foreign tax credit (AMTFTC) (see instructions)		11	[REDACTED]
12	Tentative minimum tax. Subtract line 11 from line 10		12	[REDACTED]
13	Regular tax liability before applying all credits except the foreign tax credit and the American Samoa economic development credit		13	[REDACTED]
14	<b>Alternative minimum tax.</b> Subtract line 13 from line 12. If zero or less, enter -0-. Enter here and on Form 1120, Schedule J, line 3, or the appropriate line of the corporation's income tax return		14	[REDACTED]

JWA For Paperwork Reduction Act Notice, see the instructions.

Adjusted Current Earnings (ACE) Worksheet

See ACE Worksheet Instructions.

1	Pre-adjustment AMTI. Enter the amount from line 3 of Form 4626		1	
2	ACE depreciation adjustment:			
	a AMT depreciation	2a		
	b ACE depreciation:			
	(1) Post-1993 property	2b(1)		
	(2) Post-1989, pre-1994 property	2b(2)		
	(3) Pre-1990 MACRS property	2b(3)		
	(4) Pre-1990 original ACRS property	2b(4)		
	(5) Property described in sections 168(f)(1) through (4)	2b(5)		
	(6) Other property	2b(6)		
	(7) Total ACE depreciation. Add lines 2b(1) through 2b(6)	2b(7)		
	c ACE depreciation adjustment. Subtract line 2b(7) from line 2a		2c	
3	Inclusion in ACE of items included in earnings and profits (E&P):			
	a Tax-exempt interest income	3a		
	b Death benefits from life insurance contracts	3b		
	c All other distributions from life insurance contracts (including surrenders)	3c		
	d Inside buildup of undistributed income in life insurance contracts	3d		
	e Other items (see Regulations sections 1.56(g)-1(c)(6)(iii) through (ix) for a partial list)	3e		
	f Total increase to ACE from inclusion in ACE of items included in E&P. Add lines 3a through 3e		3f	
4	Disallowance of items not deductible from E&P:			
	a Certain dividends received	4a		
	b Dividends paid on certain preferred stock of public utilities that are deductible under section 247	4b		
	c Dividends paid to an ESDP that are deductible under section 404(k)	4c		
	d Nonpatronage dividends that are paid and deductible under section 1382(c)	4d		
	e Other items (see Regulations sections 1.56(g)-1(d)(3)(i) and (ii) for a partial list)	4e		
	f Total increase to ACE because of disallowance of items not deductible from E&P. Add lines 4a through 4e		4f	
5	Other adjustments based on rules for figuring E&P:			
	a Intangible drilling costs	5a		
	b Circulation expenditures	5b		
	c Organizational expenditures	5c		
	d LIFO inventory adjustments	5d		
	e Installment sales	5e		
	f Total other E&P adjustments. Combine lines 5a through 5e		5f	
6	Disallowance of loss on exchange of debt pools		6	
7	Acquisition expenses of life insurance companies for qualified foreign contracts		7	
8	Depletion		8	
9	Basis adjustments in determining gain or loss from sale or exchange of pre-1994 property		9	
10	Adjusted current earnings. Combine lines 1, 2c, 3f, 4f, and 5f through 9. Enter the result here and on line 4a of Form 4626		10	

Form **851**  
(Rev. December 2005)  
Department of the Treasury  
Internal Revenue Service

**Affiliations Schedule**  
▶ File with each consolidated income tax return.  
**DECEMBER 31, 2007**

OMB No. 1545-0025

For tax year ending

Name of common parent corporation

**POSTCO, INC.**

Employer identification number  
**65-0727271**

Number, street, and room or suite no. (If a P.O. box, see instructions.)

**P.O. BOX 398**

City or town, state, and ZIP code

**INDIANTOWN, FL 34956-0398**

**Part I** Overpayment Credits, Estimated Tax Payments, and Tax Deposits (see instructions)

Corp. No.	Name and address of corporation	Employer identification number	Portion of overpayment credits and estimated tax payments	Portion of tax deposited with Form 7004
1	Common parent corporation			
	Subsidiary corporations:			
2	INDIANTOWN COMPANY, INC. P.O. BOX 397 INDIANTOWN, FL 34956-0397	65-0727275	0.	0.
3	ITS TELECOMMUNICATIONS SYSTEMS, INC. P.O. BOX 277 INDIANTOWN, FL 34956-0277	13-2663101	0.	0.
4	ARROW COMMUNICATIONS, INC. P.O. BOX 560 INDIANTOWN, FL 34956-0560	11-2590704	0.	0.
5	PRINCESS AVIATION GROUP, INC. 1541 SE PALM COURT STUART, FL 34994	65-0818740	0.	0.
6				
7				
8				
9				
10				
<b>Totals</b> (Must equal amounts shown on the consolidated tax return)				

**Part II** Principal Business Activity, Voting Stock Information, Etc. (see instructions)

Corp. No.	Principal business activity (PBA)	PBA Code No.	Did the subsidiary make any nondividend distributions?		Stock holdings at beginning of year			
			Yes	No	Number of shares	Percent of voting power	Percent of value	Owned by corporation no.
1	Common parent corporation <b>MANAGEMENT SERVICE</b>	561490						
	Subsidiary corporations:							
2	<b>PUBLIC UTILITY</b>	221300		X				
3	<b>PUBLIC UTILITY</b>			X				
4	<b>TELECOMMUNICATIONS</b>	517000		X				
5	<b>TRANSPORTATION</b>	481000		X				
6						%	%	
7						%	%	
8						%	%	
9						%	%	
10						%	%	



**Part IV** Additional Stock Information (see instructions)

1 During the tax year, did the corporation have more than one class of stock outstanding?  Yes  No  
 If "Yes," enter the name of the corporation and list and describe each class of stock.

Corp. No.	Name of corporation	Class of stock
1	POSTCO, INC.	COMMON AND PREFERRED STOCK

2 During the tax year, was there any member of the consolidated group that reaffiliated within 60 months of disaffiliation?  Yes  No  
 If "Yes," enter the name of the corporation(s) and explain circumstances.

Corp. No.	Name of corporation	Explanation

3 During the tax year, was there any arrangement in existence by which one or more persons that were not members of the affiliated group could acquire any stock, or acquire any voting power without acquiring stock, in the corporation, other than a de minimis amount, from the corporation or another member of the affiliated group?  Yes  No  
 If "Yes," enter the name of the corporation and see the instructions for what to enter in Items 3a, 3b, 3c, and 3d.

Corp. No.	Name of corporation	Item 3a	Item 3b	Item 3c
		%	%	%
		%	%	%
		%	%	%
		%	%	%

Corp. No.	Item 3d - Provide a description of any arrangement.





# Net Income (Loss) Reconciliation for Corporations With Total Assets of \$10 Million or More

▶ Attach to Form 1120 or 1120-C.  
▶ See separate instructions.

## 2007

Name of corporation (common parent, if consolidated return)

Employer identification number

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

- Check applicable box(es): (1)  Non-Consolidated return (2)  Consolidated return (Form 1120 only)  
(3)  Mixed 1120/L/PC group (4)  Dormant subsidiaries schedule attached

**Part I Financial Information and Net Income (Loss) Reconciliation** (see instructions)

- 1 a** Did the corporation file SEC Form 10-K for its income statement period ending with or within this tax year?  
 Yes. Skip lines 1b and 1c and complete lines 2a through 11 with respect to that SEC Form 10-K.  
 No. Go to line 1b. See instructions if multiple non-tax-basis income statements are prepared.
- b** Did the corporation prepare a certified audited non-tax-basis income statement for that period?  
 Yes. Skip line 1c and complete lines 2a through 11 with respect to that income statement.  
 No. Go to line 1c.
- c** Did the corporation prepare a non-tax-basis income statement for that period?  
 Yes. Complete lines 2a through 11 with respect to that income statement.  
 No. Skip lines 2a through 3c and enter the corporation's net income (loss) per its books and records on line 4.

**2 a** Enter the income statement period: Beginning 01/01/07 Ending 12/31/07

- b** Has the corporation's income statement been restated for the income statement period on line 2a?  
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)  
 No.
- c** Has the corporation's income statement been restated for any of the five income statement periods preceding the period on line 2a?  
 Yes. (If "Yes," attach an explanation and the amount of each item restated.)  
 No.

- 3 a** Is any of the corporation's voting common stock publicly traded?  
 Yes.  
 No. If "No," go to line 4.

- b** Enter the symbol of the corporation's primary U.S. publicly traded voting common stock
- c** Enter the nine-digit CUSIP number of the corporation's primary publicly traded voting common stock

--	--	--	--	--	--	--	--	--	--

--	--	--	--	--	--	--	--	--	--	--

<b>4</b> Worldwide consolidated net income (loss) from income statement source identified in Part I, line 1	<b>4</b>	
<b>5 a</b> Net income from nonincludible foreign entities (attach schedule)	<b>5a</b>	( )
<b>b</b> Net loss from nonincludible foreign entities (attach schedule and enter as a positive amount)	<b>5b</b>	
<b>6 a</b> Net income from nonincludible U.S. entities (attach schedule)	<b>6a</b>	( )
<b>b</b> Net loss from nonincludible U.S. entities (attach schedule and enter as a positive amount)	<b>6b</b>	
<b>7 a</b> Net income (loss) of other disregarded entities (attach schedule)	<b>7a</b>	
<b>b</b> Net income (loss) of other includible entities (attach schedule)	<b>7b</b>	
<b>8</b> Adjustment to eliminations of transactions between includible entities and nonincludible entities (attach schedule)	<b>8</b>	
<b>9</b> Adjustment to reconcile income statement period to tax year (attach schedule)	<b>9</b>	
<b>10 a</b> Intercompany dividend adjustments to reconcile to line 11 (attach schedule)	<b>10a</b>	
<b>b</b> Other statutory accounting adjustments to reconcile to line 11 (attach schedule)	<b>10b</b>	
<b>c</b> Other adjustments to reconcile to amount on line 11 (attach schedule)	<b>10c</b>	
<b>11</b> Net income (loss) per income statement of includible corporations. Combine lines 4 through 10	<b>11</b>	

Name of corporation (common parent, if consolidated return)

**POSTCO, INC AND SUBSIDIARIES**

Employer identification number  
**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach schedules for lines 1 through 8)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar inc inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corporations				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)				
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch)				
26 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 36)				
28 Other items with no differences				
29a Mixed groups, see instructions. All others, add lines 26 through 28				
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c				

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

JWA  
713322  
02-08-08

Schedule M-3 (Form 1120) 2007

SEE ATTACHED SEPARATE COMPANY DETAIL

12

15201026 748121 20901

2007.08000 POSTCO, INC AND SUBSIDIARIE 20901\_\_1

POSTCO, INC AND SUBSIDIARIES

Employer identification number 65-0727271

Check applicable box(es): (1) X Consolidated group (2) Parent corp (3) Consolidated eliminations (4) Subsidiary corp (5) Mixed 1120/L/PC group

Check if a sub-consolidated: (6) 1120 group (7) 1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items (see instructions)

Table with 5 columns: Expense/Deduction Items, (a) Expense per Income Statement, (b) Temporary Difference, (c) Permanent Difference, (d) Deduction per Tax Return. Rows include items like U.S. current income tax expense, U.S. deferred income tax expense, State and local current income tax expense, etc.

JWA

SEE ATTACHED SEPARATE COMPANY DETAIL

Schedule M-3 (Form 1120) 2007

Underpayment of Estimated Tax by Corporations

See separate instructions. Attach to the corporation's tax return.

Name

POSTCO, INC AND SUBSIDIARIES

Employer identification number

65-0727271

Note: Generally, the corporation is not required to file Form 2220 (see Part II below for exceptions) because the IRS will figure any penalty owed and bill the corporation. However, the corporation may still use Form 2220 to figure the penalty. If so, enter the amount from page 2, line 34 on the estimated tax penalty line of the corporation's income tax return, but do not attach Form 2220.

Part I Required Annual Payment

Form section for Part I: Required Annual Payment. Includes lines 1 through 5 with various tax calculation instructions and input fields.

Part II Reasons for Filing - Check the boxes below that apply. If any boxes are checked, the corporation must file Form 2220 even if it does not owe a penalty (see instructions).

- 6 [ ] The corporation is using the adjusted seasonal installment method.
7 [ ] The corporation is using the annualized income installment method.
8 [ ] The corporation is a "large corporation" figuring its first required installment based on the prior year's tax.

Part III Figuring the Underpayment

Table for Part III: Figuring the Underpayment. Columns (a) through (d) represent different installment due dates. Rows 9 through 18 show calculations for installment due dates, required installments, tax paid, and underpayment/overpayment.

Go to Part IV on page 2 to figure the penalty. Do not go to Part IV if there are no entries on line 17 - no penalty is owed.

JWA For Paperwork Reduction Act Notice, see separate instructions.

Form 2220 (2007)

**Part IV Figuring the Penalty**

	(a)	(b)	(c)	(d)
19 Enter the date of payment or the 15th day of the 3rd month after the close of the tax year, whichever is earlier (see instructions). (Form 990-PF and Form 990-T filers: Use 5th month instead of 3rd month.)	STATEMENT 2			
20 Number of days from due date of installment on line 9 to the date shown on line 19				
21 Number of days on line 20 after 4/15/2007 and before 1/1/2008				
22 Underpayment on line 17 x $\frac{\text{Number of days on line 21} \times 8\%}{365}$	\$	\$	\$	\$
23 Number of days on line 20 after 12/31/2007 and before 4/1/2008				
24 Underpayment on line 17 x $\frac{\text{Number of days on line 23} \times 7\%}{366}$	\$	\$	\$	\$
25 Number of days on line 20 after 3/31/2008 and before 7/1/2008				
26 Underpayment on line 17 x $\frac{\text{Number of days on line 25} \times 9\%}{366}$	\$	\$	\$	\$
27 Number of days on line 20 after 6/30/2008 and before 10/1/2008				
28 Underpayment on line 17 x $\frac{\text{Number of days on line 27} \times 9\%}{366}$	\$	\$	\$	\$
29 Number of days on line 20 after 9/30/2008 and before 1/1/2009				
30 Underpayment on line 17 x $\frac{\text{Number of days on line 29} \times 9\%}{366}$	\$	\$	\$	\$
31 Number of days on line 20 after 12/31/2008 and before 2/16/2009				
32 Underpayment on line 17 x $\frac{\text{Number of days on line 31} \times 9\%}{365}$	\$	\$	\$	\$
33 Add lines 22, 24, 26, 28, 30, and 32	\$	\$	\$	\$
34 <b>Penalty.</b> Add columns (a) through (d) of line 33. Enter the total here and on Form 1120; line 33; or the comparable line for other income tax returns				\$

\* For underpayments paid after March 31, 2008: For lines 26, 28, 30, and 32, use the penalty interest rate for each calendar quarter, which the IRS will determine during the first month in the preceding quarter. These rates are published quarterly in an IRS News Release and in a revenue ruling in the Internal Revenue Bulletin. To obtain this information on the Internet, access the IRS website at [www.irs.gov](http://www.irs.gov). You can also call 1-800-829-4933 to get interest rate information.

Depreciation and Amortization (Including Information on Listed Property) OTHER

See separate instructions. Attach to your tax return.

Name(s) shown on return

Business or activity to which this form relates

Identifying number

POSTCO, INC AND SUBSIDIARIES

OTHER DEPRECIATION

65-0727271

Part I Election To Expense Certain Property Under Section 179 Note: If you have any listed property, complete Part V before you complete Part I.

Form section 1: Lines 1-13. Includes fields for maximum amount, total cost, threshold cost, reduction in limitation, dollar limitation, and listed property amounts.

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)

Form section 2: Lines 14-16. Includes fields for special allowance, section 168(f)(1) election, and other depreciation.

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)

Section A

Form section 3: Lines 17-18. Includes fields for MACRS deductions and election to group assets.

Section B - Assets Placed in Service During 2007 Tax Year Using the General Depreciation System

Table with 7 columns: (a) Classification of property, (b) Month and year placed in service, (c) Basis for depreciation, (d) Recovery period, (e) Convention, (f) Method, (g) Depreciation deduction. Rows include 3-year, 5-year, 7-year, 10-year, 15-year, 20-year, 25-year property, residential rental property, and nonresidential real property.

Section C - Assets Placed in Service During 2007 Tax Year Using the Alternative Depreciation System

Table with 3 columns: (a) Class life, (b) Recovery period, (c) Method. Rows include 12-year and 40-year class life.

Part IV Summary (see instructions)

Form section 4: Lines 21-23. Includes fields for listed property amount, total depreciation, and section 263A costs.

**Part V Listed Property** (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)  
**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A - Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)**

24a Do you have evidence to support the business/investment use claimed?  Yes  No 24b If "Yes," is the evidence written?  Yes  No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special allowance for qualified Gulf Opportunity Zone property placed in service during the tax year and used more than 50% in a qualified business use								25
26 Property used more than 50% in a qualified business use:								
		%						
		%						
		%						
27 Property used 50% or less in a qualified business use:								
		%				S/L -		
		%				S/L -		
		%				S/L -		
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1								29

**Section B - Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle		(b) Vehicle		(c) Vehicle		(d) Vehicle		(e) Vehicle		(f) Vehicle	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
30 Total business/investment miles driven during the year (do not include commuting miles)												
31 Total commuting miles driven during the year												
32 Total other personal (noncommuting) miles driven												
33 Total miles driven during the year. Add lines 30 through 32												
34 Was the vehicle available for personal use during off-duty hours?												
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

**Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons.

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use?		

**Note:** If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles.

**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2007 tax year:					
43 Amortization of costs that began before your 2007 tax year					43
44 Total. Add amounts in column (f). See the instructions for where to report					44



**Sales of Business Property**  
 (Also Involuntary Conversions and Recapture Amounts  
 Under Sections 179 and 280F(b)(2))  
 Attach to your tax return.

Name(s) shown on return: **POSTCO, INC AND SUBSIDIARIES** Identifying number: **65-0727271**

1 Enter the gross proceeds from sales or exchanges reported to you for 2007 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) **1**

**Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft - Most Property Held More Than 1 Year**

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
2						

3 Gain, if any, from Form 4684, line 39 **3**

4 Section 1231 gain from installment sales from Form 6252, line 26 or 37 **4**

5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824 **5**

6 Gain, if any, from line 32, from other than casualty or theft **6**

7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: **7**

**Partnerships (except electing large partnerships) and S corporations.** Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.

**Individuals, partners, S corporation shareholders, and all others.** If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

8 Nonrecaptured net section 1231 losses from prior years (see instructions) **SEE STATEMENT 3** **8**

9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions) **9**

**Part II Ordinary Gains and Losses**

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

**GROUP SALE #33**


11 Loss, if any, from line 7 **11** ( )

12 Gain, if any, from line 7 or amount from line 8, if applicable **12**

13 Gain, if any, from line 31 **13** [REDACTED]

14 Net gain or (loss) from Form 4684, lines 31 and 38a **14**

15 Ordinary gain from installment sales from Form 6252, line 25 or 36 **15**

16 Ordinary gain or (loss) from like-kind exchanges from Form 8824 **16**

17 Combine lines 10 through 16 **17** [REDACTED]

18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:

a If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions **18a**

b Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14 **18b**

**Part III** Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)
A [REDACTED]	[REDACTED]	[REDACTED]
B		
C		
D		

These columns relate to the properties on lines 19A through 19D.		Property A	Property B	Property C	Property D
20	Gross sales price (Note: See line 1 before completing.)	20 [REDACTED]			
21	Cost or other basis plus expense of sale	21 [REDACTED]			
22	Depreciation (or depletion) allowed or allowable	22 [REDACTED]			
23	Adjusted basis. Subtract line 22 from line 21	23 [REDACTED]			
24	Total gain. Subtract line 23 from line 20	24 [REDACTED]			
25	<b>If section 1245 property:</b>				
a	Depreciation allowed or allowable from line 22	25a [REDACTED]			
b	Enter the smaller of line 24 or 25a	25b [REDACTED]			
26	<b>If section 1250 property:</b> If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.				
a	Additional depreciation after 1975	26a			
b	Applicable percentage multiplied by the smaller of line 24 or line 26a	26b			
c	Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e	26c			
d	Additional depreciation after 1969 and before 1976	26d			
e	Enter the smaller of line 26c or 26d	26e			
f	Section 291 amount (corporations only)	26f			
g	Add lines 26b, 26e, and 26f	26g			
27	<b>If section 1252 property:</b> Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).				
a	Soil, water, and land clearing expenses	27a			
b	Line 27a multiplied by applicable percentage	27b			
c	Enter the smaller of line 24 or 27b	27c			
28	<b>If section 1254 property:</b>				
a	Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs	28a			
b	Enter the smaller of line 24 or 28a	28b			
29	<b>If section 1255 property:</b>				
a	Applicable percentage of payments excluded from income under section 126	29a			
b	Enter the smaller of line 24 or 29a	29b			

**Summary of Part III Gains.** Complete property columns A through D through line 29b before going to line 30.

30	Total gains for all properties. Add property columns A through D, line 24	30 [REDACTED]
31	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31 [REDACTED]
32	Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6	32

**Part IV** Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less (see instructions.)

	(a) Section 179	(b) Section 280F(b)(2)
33	Section 179 expense deduction or depreciation allowable in prior years	33
34	Recomputed depreciation (see instructions)	34
35	Recapture amount. Subtract line 34 from line 33. See the instructions for where to report	35

**ALTERNATIVE MINIMUM TAX**  
**Sales of Business Property**

(Also Involuntary Conversions and Recapture Amounts  
 Under Sections 179 and 280F(b)(2))  
 Attach to your tax return.

Form **4797**  
 Department of the Treasury  
 Internal Revenue Service (99)

OMB No. 1545-0184

**2007**  
 Attachment  
 Sequence No. **27**

Name(s) shown on return

Identifying number

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

1 Enter the gross proceeds from sales or exchanges reported to you for 2007 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions)

1

**Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft - Most Property Held More Than 1 Year**

(a) Description of property	(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
2						

3 Gain, if any, from Form 4684, line 39

3

4 Section 1231 gain from installment sales from Form 6252, line 26 or 37

4

5 Section 1231 gain or (loss) from like-kind exchanges from Form 8824

5

6 Gain, if any, from line 32, from other than casualty or theft

6

7 Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:

7

**Partnerships (except electing large partnerships) and S corporations.** Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.

**Individuals, partners, S corporation shareholders, and all others.** If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.

8 Nonrecaptured net section 1231 losses from prior years (see instructions)

**SEE STATEMENT 4**

8

9 Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)

9

**Part II Ordinary Gains and Losses**

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):


11 Loss, if any, from line 7

11

12 Gain, if any, from line 7 or amount from line 8, if applicable

12

13 Gain, if any, from line 31

13

14 Net gain or (loss) from Form 4684, lines 31 and 38a

14

15 Ordinary gain from installment sales from Form 6252, line 25 or 36

15

16 Ordinary gain or (loss) from like-kind exchanges from Form 8824

16

17 Combine lines 10 through 16

17

18 For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:

**a** If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions

18a

**b** Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14

18b

JWA For Paperwork Reduction Act Notice, see separate instructions.

Form 4797 (2007)

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

Table with 4 columns: (a) Description of section 1245, 1250, 1252, 1254, or 1255 property; (b) Date acquired; (c) Date sold. Rows A, B, C, D.

Main table with columns for Property A, B, C, D and rows 20-29b detailing depreciation and gain calculations.

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

Summary table with rows 30, 31, 32 for total gains and adjustments.

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less (see instructions.)

Table with columns (a) Section 179 and (b) Section 280F(b)(2) and rows 33, 34, 35 for recapture amounts.

▶ Attach to the corporation's tax return.

**2007**

Name

**POSTCO, INC AND SUBSIDIARIES**

Employer identification number

**65-0727271**

1 Alternative minimum tax (AMT) for 2006. Enter the amount from line 14 of the 2006 Form 4626	1	[REDACTED]
2 Minimum tax credit carryforward from 2006. Enter the amount from line 9 of the 2006 Form 8827	2	
3 Enter the 2006 unallowed qualified electric vehicle credit (see instructions)	3	
4 Add lines 1, 2, and 3	4	[REDACTED]
5 Enter the corporation's 2007 regular income tax liability minus allowable tax credits (see instructions)	5	[REDACTED]
6 Is the corporation a "small corporation" exempt from the AMT for 2007 (see instructions)? ● Yes. Enter 25% of the excess of line 5 over \$25,000. If line 5 is \$25,000 or less, enter -0- ● No. Complete Form 4626 for 2007 and enter the tentative minimum tax from line 12	6	[REDACTED]
7 Subtract line 6 from line 5. If zero or less, enter -0-	7	[REDACTED]
8 Minimum tax credit. Enter the smaller of line 4 or line 7 here and on Form 1120, Schedule J, line 5d or the appropriate line of the corporation's income tax return. If the corporation had a post-1986 ownership change or has pre-acquisition excess credits, see instructions	8	[REDACTED]
9 Minimum tax credit carryforward to 2008. Subtract line 8 from line 4. Keep a record of this amount to carry forward and use in future years	9	[REDACTED]

# Domestic Production Activities Deduction

▶ Attach to your tax return. ▶ See separate instructions.

Name(s) as shown on return

Identifying number

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

1	Domestic production gross receipts (DPGR) .....	1	[REDACTED]
2	Allocable cost of goods sold. If you are using the small business simplified overall method, skip lines 2 and 3 .....	2	[REDACTED]
3	If you are using the section 861 method, enter deductions and losses allocable to DPGR. All others, see instructions .....	3	[REDACTED]
4	If you are using the small business simplified overall method, enter the amount of cost of goods sold and other deductions or losses you ratably apportion to DPGR. All others, skip line 4 .....	4	[REDACTED]
5	Add lines 2 through 4 .....	5	[REDACTED]
6	Subtract line 5 from line 1 .....	6	[REDACTED]
7	Qualified production activities income from estates, trusts, and certain partnerships and S corporations (see instructions) .....	7	[REDACTED]
8	Add lines 6 and 7. Estates and trusts, go to line 9, all others, skip line 9 and go to line 10 .....	8	[REDACTED]
9	Amount allocated to beneficiaries of the estate or trust (see instructions) .....	9	[REDACTED]
10	<b>Qualified production activities income.</b> Estates and trusts, subtract line 9 from line 8, all others, enter amount from line 8. If zero or less, enter -0- here, skip lines 11 through 19, and enter -0- on line 20 .....	10	[REDACTED]
11	Income limitation (see instructions): <ul style="list-style-type: none"> <li>• Individuals, estates, and trusts. Enter your adjusted gross income figured without the domestic production activities deduction .....</li> <li>• All others. Enter your taxable income figured without the domestic production activities deduction (tax-exempt organizations, see instructions) .....</li> </ul>	11	[REDACTED]
12	Enter the smaller of line 10 or line 11. If zero or less, enter -0- here, skip lines 13 through 19, and enter -0- on line 20 .....	12	[REDACTED]
13	Enter 6% of line 12 .....	13	[REDACTED]
14	Form W-2 wages (see instructions) .....	14	[REDACTED]
15	Form W-2 wages from estates, trusts, and certain partnerships and S corporations (see instructions) .....	15	[REDACTED]
16	Add lines 14 and 15. Estates and trusts, go to line 17, all others, skip line 17 and go to line 18 .....	16	[REDACTED]
17	Amount allocated to beneficiaries of the estate or trust (see instructions) .....	17	[REDACTED]
18	Estates and trusts, subtract line 17 from line 16, all others, enter amount from line 16 .....	18	[REDACTED]
19	Form W-2 wage limitation. Enter 50% of line 18 .....	19	[REDACTED]
20	Enter the smaller of line 13 or line 19 .....	20	[REDACTED]
21	Domestic production activities deduction from cooperatives. Enter deduction from Form 1099-PATR, box 6 .....	21	[REDACTED]
22	Expanded affiliated group allocation (see instructions) .....	22	[REDACTED]
23	<b>Domestic production activities deduction.</b> Combine lines 20 through 22 and enter the result here and on Form 1040, line 35; Form 1120, line 25; or the applicable line of your return .....	23	[REDACTED]

Department of the Treasury  
Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

Name of common parent  
**POSTCO, INC AND SUBSIDIARIES**

Employer identification number  
**65-0727271**

Name of subsidiary

Employer identification number

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 <b>Total cost of goods sold.</b> Add lines 1 through 7, in columns a, b, c, and d				

JWA For Paperwork Reduction Act Notice, see page 4.

Form 8916-A (2007)

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

JWA

Form 8916-A (2007)





SCHEDULE D, PART II      LONG-TERM CAPITAL GAINS AND LOSSES      STATEMENT      1

<u>DESCRIPTION</u>	<u>DATE ACQUIRED</u>	<u>DATE SOLD</u>	<u>SALES PRICE</u>	<u>COST OR BASIS</u>	<u>GAIN OR LOSS</u>
--------------------	--------------------------	----------------------	------------------------	--------------------------	-------------------------





FORM 2220 COMPUTATION OF UNDERPAYMENT PENALTY STATEMENT 2

Q T R	EVENT AMOUNT TYPE	*	REMAINING UNDERPAYMENT	PERIOD OF UNDERPAYMENT	DAYS INT RATE	AMOUNT OF PENALTY
-------------	----------------------	---	---------------------------	---------------------------	------------------	----------------------

A

B

T(

- EVENT TYPE: Q = AMOUNT UNDERPAID AT START OF QUARTER
- P = PAYMENT
- W = WITHHOLDING
- R = INTEREST RATE CHANGE
- L = SWITCH TO OR FROM A LEAP YEAR

\* COMPANY NUMBER - CONSOLIDATED ONLY

FORM 4797

SECTION 1231 LOSSES FROM PRIOR YEARS

STATEMENT 3

	LOSS SUSTAINED	LOSS PREVIOUSLY RECAPTURED	LOSS REMAINING
TAX YEAR 2002			
TAX YEAR 2003			
TAX YEAR 2004			
TAX YEAR 2005			
TAX YEAR 2006			
TOTAL REMAINING SECTION 1231 LOSSES FROM PRIOR YEARS			

FORM 4797

SECTION 1231 LOSSES FROM PRIOR YEARS

STATEMENT 4

	LOSS SUSTAINED	LOSS PREVIOUSLY RECAPTURED	LOSS REMAINING
TAX YEAR 2002	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2003	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2004	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2005	[REDACTED]	[REDACTED]	[REDACTED]
TAX YEAR 2006	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL REMAINING SECTION 1231 LOSSES FROM PRIOR YEARS			[REDACTED]

# Statement of Consolidated Income and Deductions

Name

Employer identification number

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

Income	Schedule Reference	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Gross receipts or sales				
Less returns and allowances				
<b>Net Sales</b>				
Cost of goods sold:				
Inventory at beginning of year				
Purchases				
Cost of labor				
Additional section 263A costs				
Other costs				
Inventory end of year				
Cost of goods sold				
<b>Gross Profit</b>				
Dividends				
Interest				
Gross rents				
Gross royalties				
Capital gain net income				
Net gain or (loss) Form 4797				
Other income				
<b>Total Income</b>				
<b>Deductions</b>				
Compensation of officers				
Salaries and wages				
Repairs				
Bad debts				
Rents				
Taxes				
Interest				
Contributions <b>STATEMENT 9</b>				
Depreciation not claimed elsewhere				
Depletion				
Advertising				
Pension, profit-sharing, etc., plans				
Employee benefit programs				
Domestic Production Activities Deduction				
Other deductions				
<b>Total Deductions</b>				
Taxable income before NOL and special deductions				
Net operating loss deduction - limited	<b>STMT 5</b>			
Special deductions				
<b>Taxable Income</b>				



NET OPERATING LOSS ADJUSTMENT

STATEMENT 5

CONSOLIDATED TAXABLE INCOME BEFORE NOL AND DPAD DEDUCTION 696,381.

	SRLY OR SEC. 382 LIMIT	TOTAL NOL AVAILABLE	TOTAL NOL AFTER SRLY OR SEC. 382 LIMITATION	TOTAL NOL DEDUCTED	REMAINING TAXABLE INCOME AFTER NOL DEDUCTION
YEAR END	12/31/01	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
YEAR END	12/31/02	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
YEAR END	12/31/03	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
YEAR END	12/31/04	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

YEAR END 12/31/05

[REDACTED]

YEAR END 12/31/06

[REDACTED]

SUBTOTAL

[REDACTED]

CONSOLIDATED NOL DEDUCTION  
COMBINED NOL DEDUCTION

[REDACTED]

CONSOLIDATED NOL ADJUSTMENT

[REDACTED]

ALLOCATION OF NET OPERATING LOSS

STATEMENT 6

REMAINING  
CONSOLIDATED  
TAXABLE INCOME X

NOL AVAILABLE  
AFTER SRLY AND  
SEC. 382  
LIMITATION /

TOTAL NOL  
AVAILABLE AFTER  
SRLY AND SEC.  
382 LIMITATION =

NOL ALLOCATED  
TO THIS  
COMPANY

[REDACTED]

[REDACTED]

[REDACTED]

FORM 1120 NOL CARRYOVER TO SUBSEQUENT TAX YEARS WHEN TAX REGULATION SECTION 1.170A-11(C)(2) APPLIES STATEMENT 7

CONSOLIDATED TAXABLE INCOME BEFORE CONTRIBUTIONS AND NOL LESS: ADDITIONAL CONTRIBUTIONS DEDUCTION CALCULATED WITHOUT REGARD TO NOL 696,381. 19,620.

AMOUNT TO BE OFFSET BY NOL FOR PURPOSES OF TAX REGULATION SECTION 1.170A-11(C)(2) 676,761.

Table with 5 columns: TAX YEAR END, NAME, TOTAL NOL AFTER SRLY OR SEC. 382 LIMITATION, TOTAL NOL DEDUCTED, REMAINING AMOUNT TO BE OFFSET. Rows are grouped by year end (12/31/01, 12/31/02, 12/31/03, 12/31/04) and contain redacted data.

YEAR END 12/31/05

[REDACTED]

YEAR END 12/31/06

[REDACTED]

FORM 1120 ALLOCATION OF NET OPERATING LOSS WHEN TAX REGULATION SECTION 1.170A-11(C)(2) APPLIES STATEMENT 8

REMAINING CONSOLIDATED TAXABLE INCOME	X	NOL AVAILABLE AFTER SRLY AND SEC. 382 LIMITATION	/	TOTAL NOL AVAILABLE AFTER SRLY AND SEC. 382 LIMITATION	=	NOL ALLOCATED TO THIS COMPANY
[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]
[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]
[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]
[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]

CHARITABLE CONTRIBUTION ADJUSTMENT

STATEMENT 9

LIMITATION OF 10% OF TAXABLE INCOME AS ADJUSTED

-230,297.

	ORIGINAL CONTRIBUTION	APPLIED TO DATE	CONTRIBUTION AVAILABLE	AMOUNT DEDUCTED	REMAINING LIMITATION AFTER DEDUCTION
--	-----------------------	-----------------	------------------------	-----------------	--------------------------------------

CURRENT

YEAR END

YEAR END

YEAR END

YEAR END

YEAR END

CONSOLIDATED CHARITABLE CONTRIBUTION DEDUCTION  
LESS: COMBINED CHARITABLE CONTRIBUTION DEDUCTION

CONSOLIDATED ADJUSTMENT

CHARITABLE CONTRIBUTION CARRYOVER TO SUBSEQUENT TAX YEARS STATEMENT 10  
WHEN TAX REGULATION SECTION 1.170A-11(C)(2) APPLIES

LIMITATION OF 10% OF TAXABLE INCOME AS ADJUSTED  
WITHOUT REGARD TO NET OPERATING LOSS CARRYFORWARD

ORIGINAL CONTRIBUTION	APPLIED TO DATE	CONTRIBUTION AVAILABLE	AMOUNT DEDUCTED	REMAINING LIMITATION AFTER DEDUCTION
-----------------------	-----------------	------------------------	-----------------	--------------------------------------

CURRENT YEAR

YEAR END

YEAR END

YEAR END

YEAR END

YEAR END

SCHEDULE OF COMBINED INCOME AND DEDUCTIONS

COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS , INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
Income					



FORM 1120

CURRENT CHARITABLE CONTRIBUTIONS

STATEMENT 11

COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
	65-0727271	65-0727275	13-2663101	11-2590704	65-0818740
TOTAL CURRENT CONTRIBUTIONS					

FORM 1120

COMBINED INTEREST INCOME

STATEMENT 12

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
CUSTOMER ACCOUNTS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
ITS TELECOMMUNICATIONS SYSTEMS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
SAVINGS & MONEY MARKET ACCOUNTS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL INTEREST INCOME	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

COMBINED OTHER INCOME

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
ADMINISTRATIVE FEES	[REDACTED]					
AMORTIZATION OF 1988/89 FPSC EXCESS EARNINGS	[REDACTED]					
AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION	[REDACTED]					
FORGIVENESS OF INDEBTNESS	[REDACTED]					
SALES TAX COLLECTION FEE	[REDACTED]					[REDACTED]
TOTAL OTHER INCOME	[REDACTED]		[REDACTED]			[REDACTED]

FORM 1120

COMBINED TAXES

STATEMENT 14

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
FLORIDA TAXES - BASED ON INCOME	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FLORIDA UTILITY TAX	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FOREIGN WITHHOLDING TAX	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
MUNICIPAL FEES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
PAYROLL TAX	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
PERSONAL PROPERTY TAX	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
REAL ESTATE TAX	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
UTILITY ASSESSMENTS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL TAXES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

FORM 1120

COMBINED OTHER DEDUCTIONS

STATEMENT 15

	COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICATIONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
		65-0727271	65-0727275	13-2663101	11-2590704	65-0818740
ACCESS CHARGES						
ACCOUNTING DEPARTMENT						
ACCOUNTING FEES						
ADMINISTRATION						
AMORTIZATION						
BANK CHARGES						
BILLING AND COLLECTION						
CALL COMPLETION SERVICE						
CHEMICALS						
COMMISSIONS						
COMPUTER EXPENSES						
CONTRACT OPERATORS						
CONTRACT SERVICES						
CUSTOMER SERVICES						
DEBT EXPENSES						
DIRECTORY COSTS						
DUES AND SUBSCRIPTIONS						
DUMPING FEES						
ENGINEERING DEPARTMENT						
ENGINEERING FEES						
EQUIPMENT RENTAL						
EXECUTIVE DEPARTMENT						
EXECUTIVE EXPENSES						
FL ANNUAL FEE						
FL ANNUAL REPORT						
FUEL						
GROUNDS EXPENSE						
INSURANCE						
LEGAL FEES						
LICENSES AND PERMITS						
LOCAL TESTING						
MANAGEMENT FEES						
MATERIALS						
MEALS AND ENTERTAINMENT						
MISCELLANEOUS						
OFFICE EXPENSE						
OTHER OPERATING EXPENSE						
OTHER COSTS OF OPERATIONS						
OTHER EXPENSE						
OTHER EXPENSES						
OUTSIDE SERVICES						
PENALTIES						
PLANT SUPERVISION						
POSTAGE						
PROFESSIONAL FEES						
PROMOTIONAL EXPENSES						
RECLASSIFY 5% OF EXECUTIVE EXPENSES SUBJECT TO 50% LIMIT						
RECLASSIFY PERSONAL USE TO SCHEDULE E						

FORM 1120

COMBINED OTHER DEDUCTIONS

STATEMENT 15

	COMBINED AMOUNTS	POSTCO, INC.	INDIANTOWN COMPANY, INC.	ITS TELECOMMUNICAT IONS SYSTEMS, INC.	ARROW COMMUNICATIONS, INC.	PRINCESS AVIATION GROUP, INC.
RECYCLING EXPENSES	-					
REGULATORY EXPENSES						
ROUNDING						
SAFETY TRAINING						
SELLING EXPENSES						
SLUDGE REMOVAL						
SUPPLIES						
SUPPORT SERVICES						
TELEPHONE						
TRAINING						
TRAVEL						
UNIFORMS						
UTILITIES						
VEHICLE EXPENSES						
WARRANTEE COSTS						
TOTAL OTHER DEDUCTIONS	=					

# Statement of Consolidated Beginning Balance Sheet

Name

Employer identification number

**POSTCO, INC AND SUBSIDIARIES**

65-0727271

Assets	Schedule Reference	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Cash				
Trade notes and accounts receivable				
Less allowance for bad debts				
Inventories				
U.S. government obligations				
Tax-exempt securities				
Other current assets				
Loans to stockholders				
Mortgage and real estate loans				
Other investments				
Buildings and other depreciable assets				
Less accumulated depreciation				
Depletable assets				
Less accumulated depletion				
Land (net of any amortization)				
Intangible assets (amortizable only)				
Less accumulated amortization				
Other assets				
<b>Total Assets</b>				
<b>Liabilities and Stockholders' Equity</b>				
Accounts payable				
Mortgages, notes, bonds payable in less than 1 year				
Other current liabilities				
Loans from stockholders				
Mortgages, notes, bonds payable in 1 year or more				
Other liabilities				
Capital stock: a Preferred stock				
b Common stock				
Additional paid-in capital				
Retained earnings - Appropriated				
Retained earnings - Unappropriated				
Adjustments to shareholders' equity				
Less cost of treasury stock				
<b>Total Liabilities and Stockholders' Equity</b>				

**SCHEDULE OF COMBINED BEGINNING BALANCE SHEET**

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Assets</b>						
Cash						
Trade notes and accounts receivable						
Less allowance for bad debts						
Inventories						
U.S. government obligations						
Tax-exempt securities						
Other current assets	STATEMENT 16					
Loans to stockholders						
Mortgage and real estate loans						
Other investments	STATEMENT 17					
Buildings and other depreciable assets						
Less accumulated depreciation						
Depletable assets						
Less accumulated depletion						
Land (net of any amortization)						
Intangible assets (amortizable only)						
Less accumulated amortization						
Other assets	STATEMENT 18					
<b>Total Assets</b>						
<b>Liabilities and Stockholders' Equity</b>						
Accounts payable						
Mortgages, notes, bonds payable in less than 1 year						
Other current liabilities	STATEMENT 19					
Loans from stockholders						
Mortgages, notes, bonds payable in 1 year or more						
Other liabilities	STATEMENT 20					
Capital stock: a Preferred stock						
b Common stock						
Additional paid-in capital						
Retained earnings - Appropriated						
Retained earnings - Unappropriated						
Adjustments to shareholders' equity	STATEMENT 21					
Less cost of treasury stock						
<b>Total Liabilities and Stockholders' Equity</b>						



SCHEDULE L

COMBINED OTHER CURRENT ASSETS

STATEMENT 16

COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
DEPOSITS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
MATERIALS AND SUPPLIES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
PREPAID EXPENSES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
PREPAID INSURANCE	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
PREPAID LICENSES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL OTHER CURRENT ASSETS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

SCHEDULE L

COMBINED OTHER INVESTMENTS

STATEMENT 17

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
AMERICAN BALANCED FUND	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
AMERICAN HIGH INCOME FUND	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
ARROW COMMUNICATIONS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CAPITAL INCOME FUND	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CAPITAL WORLD GROWTH AND INCOME FUND	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
EURO PACIFIC GROWTH FUND	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FASB UNREALIZED GAIN (LOSS) ON SECURITIES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FASB UNREALIZED LOSS ON SECURITIES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FIDELITY TECHNOLOGY	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FIDELITY TELECOM AND UTILITIES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FIRST BANK OF INDIANTOWN	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FUNDAMENTAL INVESTORS FUND	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
INCOME COMPANY OF AMERICA	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
INDIANTOWN COMPANY	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
INVESTMENT COMPANY OF AMERICA	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
ITS TELECOMMUNICATIONS SYSTEMS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
NEW ECONOMY FUND	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
NEW PROSPRCTIVE FUND	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
PRINCESS AVIATION GROUP	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
SMALLCAP WORLD FUND	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
WASHINGTON MUTUAL	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL OTHER INVESTMENTS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

SCHEDULE L

COMBINED OTHER ASSETS

STATEMENT 18

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
CONSTRUCTION IN PROGRESS	[REDACTED]		[REDACTED]	[REDACTED]		
DEFERRED FPSC RATE CASE EXPENSES	[REDACTED]		[REDACTED]	[REDACTED]		
DEFERRED INCOME TAX DEBITS	[REDACTED]					
DEFERRED LOAN COSTS	[REDACTED]					
LOAN - ITS TELECOMMUNICATIONS SYSTEMS	[REDACTED]	[REDACTED]				
SECURITY DEPOSITS	[REDACTED]				[REDACTED]	
TOTAL OTHER ASSETS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

FILED

SCHEDULE L

OTHER CURRENT LIABILITIES

STATEMENT 19

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
ACCRUED INTEREST	4,000.			4,000.		
ADVANCE BILLING	81,390.			81,390.		
CUSTOMER DEPOSITS	151,732.		106,261.	45,471.		
<b>TOTAL OTHER CURRENT LIABILITIES</b>	<b>237,122.</b>		<b>106,261.</b>	<b>130,861.</b>		

FILED

SCHEDULE L

COMBINED OTHER LIABILITIES

STATEMENT 20

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
CONTRIBUTIONS IN AID OF CONSTRUCTION	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
DEFERRED INCOME TAX CREDITS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FASB - ADDITIONAL PENSION LIABILITY	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL OTHER LIABILITIES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

SCHEDULE L

COMBINED ADJUSTMENTS TO SHAREHOLDERS' EQUITY

STATEMENT 21

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL ADJUSTMENTS TO EQUITY	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

# Statement of Consolidated Ending Balance Sheet and Schedule M-2

Name

Employer identification number

**POSTCO, INC AND SUBSIDIARIES**

65-0727271

Assets	Schedule Reference	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Cash				
Trade notes and accounts receivable				
Less allowance for bad debts				
Inventories				
U.S. government obligations				
Tax-exempt securities				
Other current assets				
Loans to stockholders				
Mortgage and real estate loans				
Other investments				
Buildings and other depreciable assets				
Less accumulated depreciation				
Depletable assets				
Less accumulated depletion				
Land (net of any amortization)				
Intangible assets (amortizable only)				
Less accumulated amortization				
Other assets				
<b>Total Assets</b>				
<b>Liabilities and Stockholders' Equity</b>				
Accounts payable				
Mortgages, notes, bonds payable in less than 1 year				
Other current liabilities				
Loans from stockholders				
Mortgages, notes, bonds payable in 1 year or more				
Other liabilities				
Capital stock: a Preferred stock				
b Common stock				
Additional paid-in capital				
Retained earnings - Appropriated				
Retained earnings - Unappropriated				
Adjustments to shareholders' equity				
Less cost of treasury stock				
<b>Total Liabilities and Stockholders' Equity</b>				
<b>Schedule M-2 - Analysis of Unappropriated Retained Earnings per Books</b>				
Balance at beginning of year				
Net income per books				
Other increases				
<b>Total Increases</b>				
Distributions: Cash				
Stock				
Property				
Other decreases				
<b>Total Decreases</b>				
<b>Balance at End of Year</b>				

**SCHEDULE OF COMBINED ENDING BALANCE SHEET AND SCHEDULE M-2**

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Assets</b>						
Cash						
Trade notes and accounts receivable						
Less allowance for bad debts						
Inventories						
U.S. government obligations						
Tax-exempt securities						
Other current assets   STATEMENT 22						
Loans to stockholders						
Mortgage and real estate loans						
Other investments   STATEMENT 23						
Buildings and other depreciable assets						
Less accumulated depreciation						
Depletable assets						
Less accumulated depletion						
Land (net of any amortization)						
Intangible assets (amortizable only)						
Less accumulated amortization						
Other assets   STATEMENT 24						
<b>Total Assets</b>						
<b>Liabilities and Stockholders' Equity</b>						
Accounts payable						
Short term mortgages, notes, and bonds						
Other current liabilities   STATEMENT 25						
Loans from stockholders						
Long term mortgages, notes, and bonds						
Other liabilities   STATEMENT 26						
Capital stock: a Preferred stock						
b Common stock						
Additional paid-in capital						
Retained earnings - Appropriated						
Retained earnings - Unappropriated						
Adjustments to shareholders' equity   STATEMENT 27						
Less cost of treasury stock						
<b>Total Liabilities and Stockholders' Equity</b>						
<b>Schedule M-2</b>						
Balance at beginning of year						
Net income per books						
Other increases						
<b>Total Increases</b>						
Distributions: Cash						
Stock						
Property						
Other decreases						
<b>Total Decreases</b>						
<b>Balance at End of Year</b>						



SCHEDULE L

COMBINED OTHER CURRENT ASSETS

STATEMENT 22

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
DEPOSITS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
MATERIALS AND SUPPLIES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
PREPAID EXPENSES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
PREPAID INSURANCE	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
PREPAID LICENSES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL OTHER CURRENT ASSETS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

SCHEDULE L

COMBINED OTHER INVESTMENTS

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
AMERICAN BALANCED FUND	[REDACTED]					
AMERICAN HIGH INCOME FUND	[REDACTED]					
ARROW COMMUNICATIONS	[REDACTED]					
CAPITAL INCOME FUND	[REDACTED]					
CAPITAL WORLD GROWTH AND INCOME FUND	[REDACTED]					
EURO PACIFIC GROWTH FUND	[REDACTED]					
FASB UNREALIZED GAIN (LOSS) ON SECURITIES	[REDACTED]					
FASB UNREALIZED LOSS ON SECURITIES	[REDACTED]					
FIDELITY TECHNOLOGY	[REDACTED]					
FIDELITY TELECOM AND UTILITIES	[REDACTED]					
FIRST BANK OF INDIANTOWN	[REDACTED]					
FUNDAMENTAL INVESTORS FUND	[REDACTED]					
INCOME COMPANY OF AMERICA	[REDACTED]					
INDIANTOWN COMPANY	[REDACTED]					
INVESTMENT COMPANY OF AMERICA	[REDACTED]					
ITS TELECOMMUNICATIONS SYSTEMS	[REDACTED]					
NEW ECONOMY FUND	[REDACTED]					
NEW PROSPRCTIVE FUND	[REDACTED]					
PRINCESS AVIATION GROUP	[REDACTED]					
SMALLCAP WORLD FUND	[REDACTED]					
WASHINGTON MUTUAL	[REDACTED]					
<b>TOTAL OTHER INVESTMENTS</b>	[REDACTED]					

SCHEDULE L

COMBINED OTHER ASSETS

STATEMENT 24

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
CONSTRUCTION IN PROGRESS	[REDACTED]		[REDACTED]			
DEFERRED FPSC RATE CASE EXPENSES	[REDACTED]			[REDACTED]		
DEFERRED INCOME TAX DEBITS	[REDACTED]					
DEFERRED LOAN COSTS	[REDACTED]					
LOAN - ITS TELECOMMUNICATIONS SYSTEMS	[REDACTED]	[REDACTED]				
SECURITY DEPOSITS	[REDACTED]				[REDACTED]	
TOTAL OTHER ASSETS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

FILED

SCHEDULE L	OTHER CURRENT LIABILITIES						STATEMENT 25
	COMBINED AMOUNTS	POSTCO, INC.  65-0727271	INDIANTOWN COMPANY, INC.  65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740	
ACCRUED INTEREST							
ADVANCE BILLING							
CUSTOMER DEPOSITS							
<b>TOTAL OTHER CURRENT LIABILITIES</b>							

SCHEDULE L

COMBINED OTHER LIABILITIES

STATEMENT 26

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
CONTRIBUTIONS IN AID OF CONSTRUCTION	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
DEFERRED INCOME TAX CREDITS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
FASB - ADDITIONAL PENSION LIABILITY	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL OTHER LIABILITIES	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

SCHEDULE L

COMBINED ADJUSTMENTS TO SHAREHOLDERS' EQUITY

STATEMENT 27

	COMBINED AMOUNTS	POSTCO, INC.  65-0727271	INDIANTOWN COMPANY, INC.  65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC.  13-2663101	ARROW COMMUNICATIONS, INC.  11-2590704	PRINCESS AVIATION GROUP, INC.  65-0818740
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		[REDACTED]				
TOTAL ADJUSTMENTS TO EQUITY		[REDACTED]				

# Consolidated Schedule M-3, Part II Income (Loss) per Income Statement

Name

Employer ID Number

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

Schedule M-3 Part II Income (Loss) per Income Statement	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Income/loss from equity method foreign corporations			
Gross foreign dividends not previously taxed			
Subpart F, QEF, and similar income inclusions			
Section 78 gross-up			
Gross foreign distributions previously taxed			
Income/loss from equity method U.S. corporations			
U.S. dividends not eliminated in tax consolidation			
Minority interest for includible corporations			
Income/loss from U.S. partnerships			
Income/loss from foreign partnerships			
Income/loss from other pass-through entities			
Items relating to reportable transactions			
Interest income			
Total accrual to cash adjustment			
Hedging transactions			
Mark-to-market income/loss			
Cost of goods sold			
Sale versus lease			
Section 481(a) adjustments			
Unearned/deferred revenue			
Income recognition from long-term contracts			
Original issue discount and other imputed interest			
Income statement gain/loss on disposition of assets other than inventory			
Gross capital gain			
Gross capital losses			
Gain/loss reported on Form 4797, line 17			
Abandonment losses			
Worthless stock losses			
Other gain/loss on disposition of assets other than inventory			
Capital loss limitation and carry forward used			
Other income/loss items with differences			
Other income/loss items with no differences			
PC insurance subgroup reconciliation totals			
Life insurance subgroup reconciliation totals			

# Consolidated Schedule M-3, Part II Income (Loss) Permanent Differences

Name <b>POSTCO, INC AND SUBSIDIARIES</b>	Employer ID Number <b>65-0727271</b>
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Schedule M-3 - Part II Income (Loss) Permanent Differences	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Income/loss from equity method foreign corporations			
Gross foreign dividends not previously taxed			
Subpart F, QEF, and similar income inclusions			
Section 78 gross-up			
Gross foreign distributions previously taxed			
Income/loss from equity method U.S. corporations			
U.S. dividends not eliminated in tax consolidation			
Minority interest for includible corporations			
Income/loss from U.S. partnerships			
Income/loss from foreign partnerships			
Income/loss from other pass-through entities			
Items relating to reportable transactions			
Interest income			
Total accrual to cash adjustment			
Hedging transactions			
Mark-to-market income/loss			
Cost of good sold			
Sale versus lease			
Section 481(a) adjustments			
Unearned/deferred revenue			
Income recognition from long-term contracts			
Original issue discount and other imputed interest			
Income statement gain/loss on disposition of assets other than inventory			
Gross capital gain			
Gross capital loss			
Gain/loss reported on Form 4797, line 17			
Abandonment losses			
Worthless stock losses			
Other gain/loss on disposition of assets other than inventory			
Capital loss limitation and carry forward used			
Other income/loss items with differences	[REDACTED]		[REDACTED]
Other income/loss items with no differences			
PC insurance subgroup reconciliation totals			
Life insurance subgroup reconciliation totals			



## Consolidated Schedule M-3, Part II Income (Loss) per Tax Return

Name

Employer ID Number

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

Schedule M-3 Part II Income (Loss) per Tax Return	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Income/loss from equity method foreign corporations			
Gross foreign dividends not previously taxed			
Subpart F, QEF, and similar income inclusions			
Section 78 gross-up			
Gross foreign distributions previously taxed			
Income/loss from equity method U.S. corporations			
U.S. dividends not eliminated in tax consolidation			
Minority interest for includible corporations			
Income/loss from U.S. partnerships			
Income/loss from foreign partnerships			
Income/loss from other pass-through entities			
Items relating to reportable transactions			
Interest income			
Total accrual to cash adjustment			
Hedging transactions			
Mark-to-market income/loss			
Cost of goods sold			
Sale versus lease			
Section 481(a) adjustments			
Unearned/deferred revenue			
Income recognition from long-term contracts			
Original issue discount and other imputed interest			
Income statement gain/loss on disposition of assets other than inventory			
Gross capital gain			
Gross capital loss			
Gain/loss reported on Form 4797, line 17			
Abandonment losses			
Worthless stock losses			
Other gain/loss on disposition of assets other than inventory			
Capital loss limitation and carry forward used			
Other income/loss items with differences			
Other income/loss items with no differences			
PC insurance subgroup reconciliation totals			
Life insurance subgroup reconciliation totals			

# Consolidated Schedule M-3, Part III Expense per Income Statement

Name

Employer ID Number

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

Schedule M-3 - Part III Expense per Income Statement	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
U.S. current income tax expense	[REDACTED]		[REDACTED]
U.S. tax deferred income tax expense		[REDACTED]	[REDACTED]
State and local current income tax expense	[REDACTED]		[REDACTED]
State and local deferred income tax expense			[REDACTED]
Foreign current income tax expense (other than foreign withholding taxes)			
Foreign deferred income tax expense			
Foreign withholding taxes			
Interest expense	[REDACTED]		[REDACTED]
Stock option expense			
Other equity based compensation			
Meals and entertainment	[REDACTED]		[REDACTED]
Fines and penalties	[REDACTED]		[REDACTED]
Judgments, damages, awards and similar costs			
Parachute payments			
Compensation with Section 162(m) limitation			
Pension and profit-sharing			
Other post-retirement benefits			
Deferred compensation			
Charitable contribution of cash and tangible property	[REDACTED]		[REDACTED]
Charitable contribution of intangible property			
Charitable contribution limitation/carryforward			
Domestic production activities deduction			
Current year acquisition or reorganization investment banking fees			
Current year acquisition or reorganization legal and accounting fees			
Current year acquisition/reorganization other costs			
Amortization/impairment of goodwill			
Amortization of acquisition, reorganization and start up costs			
Other amortization or impairment write offs	[REDACTED]		[REDACTED]
Section 198 environmental remediation			
Depletion			
Depreciation	[REDACTED]	[REDACTED]	[REDACTED]
Bad debt expense	[REDACTED]	[REDACTED]	[REDACTED]
Corporate owned life insurance premiums			
Purchase versus lease			
Other expense/deduction items with differences	[REDACTED]	[REDACTED]	[REDACTED]
Other expense/deduction items with no differences	[REDACTED]		[REDACTED]

# Consolidated Schedule M-3, Part III Expense/Deduction Permanent Differences

Name

Employer ID Number

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

Schedule M-3 - Part III Expense/Deduction Permanent Differences	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
U.S. current income tax expense			
U.S. tax deferred income tax expense			
State and local current income tax expense			
State and local deferred income tax expense			
Foreign current income tax expense (other than foreign withholding taxes)			
Foreign deferred income tax expense			
Foreign withholding taxes			
Interest expense			
Stock option expense			
Other equity based compensation			
Meals and entertainment			
Fines and penalties			
Judgments, damages awards and similar costs			
Parachute payments			
Compensation with Section 162(m) limitation			
Pension and profit-sharing			
Other post-retirement benefits			
Deferred compensation			
Charitable contribution of cash and tangible property			
Charitable contribution of intangible property			
Charitable contribution limitation/carryforward			
Domestic production activities deduction			
Current year acquisition or reorganization investment banking fees			
Current year acquisition or reorganization legal and accounting fees			
Current year acquisition/reorganization other costs			
Amortization/impairment of goodwill			
Amortization of acquisition, reorganization and start up costs			
Other amortization or impairment write offs			
Section 198 environmental remediation			
Depletion			
Depreciation			
Bad debt expense			
Corporate owned life insurance premiums			
Purchase versus lease			
Other expense/deduction items with differences			
Other expense/deduction items with no differences			

## Consolidated Schedule M-3, Part III Deductions per Tax Return

Name

Employer ID Number

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

Schedule M-3 - Part III Deductions per Tax Return	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
U.S. current income tax expense			
U.S. tax deferred income tax expense			
State and local current income tax expense			
State and local deferred income tax expense			
Foreign current income tax expense (other than foreign withholding taxes)			
Foreign deferred income tax expense			
Foreign withholding taxes			
Interest expense			
Stock options expense			
Other equity based compensation			
Meals and entertainment			
Fines and penalties			
Judgments, damages, awards and similar costs			
Parachute payments			
Compensation with Section 162(m) limitation			
Pension and profit-sharing			
Other post-retirement benefits			
Deferred compensation			
Charitable contribution of cash and tangible property			
Charitable contribution of intangible property			
Charitable contribution limitation/carryforward			
Domestic production activities deduction			
Current year acquisition or reorganization investment banking fees			
Current year acquisition or reorganization legal and accounting fees			
Current year acquisition/reorganization other costs			
Amortization/impairment of goodwill			
Amortization of acquisition, reorganization and start up costs			
Other amortization or impairment write offs			
Section 198 environmental remediation			
Depletion			
Depreciation			
Bad debt expense			
Corporate owned life insurance premiums			
Purchase versus lease			
Other expense/deduction items with differences			
Other expense/deduction items with no differences			

**Consolidated Form 8916-A - Supplemental Attachment  
To Schedule M-3 Per Income Statement**

Name <b>POSTCO, INC AND SUBSIDIARIES</b>	Employee ID Number <b>65-0727271</b>
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<b>Part I - Cost of Goods Sold</b>	<b>Combined Amounts</b>	<b>Consolidated Adjustments</b>	<b>Consolidated Amounts</b>
Cost flow assumptions			
Stock option expense			
Other equity based compensation			
Meals and entertainment			
Parachute payments			
Compensation with section 162(m) limitation			
Pension and profit sharing			
Other post-retirement benefits			
Deferred compensation			
Section 198 environmental remediation costs			
Amortization			
Depletion			
Depreciation			
Corporate owned life insurance premiums			
Other section 263A costs			
Inventory shrinkage accruals			
Excess inventory and obsolescence reserves			
Lower of cost or market write-downs			
Other items with differences			
Other items with no differences			
<b>Part II - Interest Income</b>			
Tax-exempt interest income			
From hybrid securities			
Sale/lease interest income			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest income			
<b>Part III - Interest Expense</b>			
From hybrid securities			
Sale/lease interest expense			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest expense			

**Consolidated Form 8916-A - Supplemental Attachment  
To Schedule M-3 - Permanent Differences**

Name <b>POSTCO, INC AND SUBSIDIARIES</b>	Employee ID Number <b>65-0727271</b>
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<b>Part I - Cost of Goods Sold</b>	<b>Combined Amounts</b>	<b>Consolidated Adjustments</b>	<b>Consolidated Amounts</b>
Cost flow assumptions			
Stock option expense			
Other equity based compensation			
Meals and entertainment			
Parachute payments			
Compensation with section 162(m) limitation			
Pension and profit sharing			
Other post-retirement benefits			
Deferred compensation			
Section 198 environmental remediation costs			
Amortization			
Depletion			
Depreciation			
Corporate owned life insurance premiums			
Other section 263A costs			
Inventory shrinkage accruals			
Excess inventory and obsolescence reserves			
Lower of cost or market write-downs			
Other items with differences			
Other items with no differences			
<b>Part II - Interest Income</b>			
Tax-exempt interest income			
From hybrid securities			
Sale/lease interest income			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest income			
<b>Part III - Interest Expense</b>			
From hybrid securities			
Sale/lease interest expense			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest expense			

**Consolidated Form 8916-A - Supplemental Attachment  
To Schedule M-3 Per Tax Return**

Name <b>POSTCO, INC AND SUBSIDIARIES</b>	Employee ID Number <b>65-0727271</b>
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<b>Part I - Cost of Goods Sold</b>	<b>Combined Amounts</b>	<b>Consolidated Adjustments</b>	<b>Consolidated Amounts</b>
Cost flow assumptions			
Stock option expense			
Other equity based compensation			
Meals and entertainment			
Parachute payments			
Compensation with section 162(m) limitation			
Pension and profit sharing			
Other post-retirement benefits			
Deferred compensation			
Section 198 environmental remediation costs			
Amortization			
Depletion			
Depreciation			
Corporate owned life insurance premiums			
Other section 263A costs			
Inventory shrinkage accruals			
Excess inventory and obsolescence reserves			
Lower of cost or market write-downs			
Other items with differences			
Other items with no differences			
<b>Part II - Interest Income</b>			
Tax-exempt interest income			
From hybrid securities			
Sale/lease interest income			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest income			
<b>Part III - Interest Expense</b>			
From hybrid securities			
Sale/lease interest expense			
Intercompany - from outside tax affiliated group			
Intercompany - from tax affiliated group			
Other interest expense			

# Statement of Consolidated Dividend Income

Name

Employer identification number

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

<b>Dividends</b>	<b>Schedule Reference</b>	<b>Combined Amounts</b>	<b>Consolidated Adjustments</b>	<b>Consolidated Amounts</b>
Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)				
Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)				
Dividends on debt-financed stock of domestic and foreign corporations (section 246A)				
Dividends on certain preferred stock of less-than-20%-owned public utilities				
Dividends on certain preferred stock of 20%-or-more-owned public utilities				
Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction				
Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction				
Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))				
Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958				
Dividends from certain FSCs				
Dividends from affiliated group members subject to the 100% deduction				
Other dividends from foreign corporations not included above				
Income from controlled foreign corporations under subpart F				
Foreign dividend gross-up (section 78)				
IC-DISC and former DISC dividends not included above				
Other dividends				
<b>Total Dividends</b>				



**SCHEDULE OF COMBINED DIVIDEND INCOME**

COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Dividend Income</b>					
Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)					
Dividends from more-than-20%-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)					
Dividends on debt-financed stock of domestic and foreign corporations (section 246A)					
Dividends on certain preferred stock of less-than-20%-owned public utilities					
Dividends on certain preferred stock of 20%-or-more-owned public utilities					
Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction					
Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction					
Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))					
Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958					
Dividends from certain FSCs					
Dividends from affiliated group members subject to the 100% deduction					
Other dividends from foreign corporations not included above					
Income from controlled foreign corporations under subpart F					
Foreign dividend gross-up (section 78)					
IC-DISC and former DISC dividends not included above					
Other dividends					
<b>Total Dividends</b>					

# Statement of Consolidated Alternative Minimum Tax

Name

Employer identification number

**POSTCO, INC AND SUBSIDIARIES**

**65-0727271**

Alternative Minimum Taxable Income	Schedule Reference	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Taxable income or (loss) before NOL deduction				
<b>Adjustments and Preferences</b>				
Depreciation of tangible property				
Amortization of certified pollution control facilities				
Amortization of mining exploration and development costs				
Amortization of circulation expenditures				
Basis adjustments				
Long-term contracts entered into after Feb. 28, 1986				
Merchant marine capital construction funds				
Section 833(b) deduction				
Tax shelter farm activities				
Passive activities				
Certain loss limitations				
Depletion				
Private activity bonds issued after August 7, 1986				
Intangible drilling costs				
Other adjustments				
<b>Total Adjustment and Preference Items</b>				
<b>Pre-adjustment AMTI</b>				
Adjusted current earnings adjustment				
Combine pre-adjustment AMTI and above amount				
Alternative tax NOL deduction	<b>STMT 28</b>			
<b>Alternative Minimum Taxable Income</b>				

AMT NET OPERATING LOSS ADJUSTMENT

STATEMENT 28

90% CONSOLIDATED AMT TAXABLE INCOME  
BEFORE NOL DEDUCTION

563,879.

	SRLY OR SEC. 382 LIMIT	TOTAL AMT NOL AVAILABLE	TOTAL AMT NOL AFTER SRLY OR SEC. 382 LIMITATION	TOTAL AMT NOL DEDUCTED	REMAINING AMT TAXABLE INCOME AFTER NOL DEDUCTION
YEAR END	12/31/02				
YEAR END	12/31/03				
YEAR END	12/31/04				
YEAR END	12/31/05				

YEAR END 12/31/06

[REDACTED]

[REDACTED]

SUBTOTAL

[REDACTED]

CONSOLIDATED AMT NOL DEDUCTION  
COMBINED AMT NOL DEDUCTION

[REDACTED]

CONSOLIDATED AMT NOL ADJUSTMENT

[REDACTED]

FILED

ALLOCATION OF AMT NET OPERATING LOSS

STATEMENT 29

REMAINING CONSOLIDATED AMT INCOME	X	AMT NOL AVAILABLE AFTER SRLY LIMITAION	/	TOTAL AMT NOL AVAILABLE AFTER SRLY LIMITATION	=	AMT NOL ALLOCATED TO THIS COMPANY
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12/31/02

12/31/02

12/31/02

12/31/02

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LIMITATIO

CURRENT YI

YEAR END

YEAR END

YEAR END

YEAR END

YEAR END

AMT CONSC  
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12/31/03  
12/31/03<sup>1</sup>  
12/31/03

FORM 4626

AMT CONTRIBUTION LIMITATION

STATEMENT 32

- 1) REGULAR TAXABLE INCOME BEFORE NOL, CHARITABLE CONTRIBUTIONS,  
AND DOMESTIC PRODUCTION ACTIVITIES DEDUCTION (DPAD) . . . . . [REDACTED]
- 2) ADD: OTHER AMT ADJUSTMENT AND PREFERENCE ITEMS OTHER  
THAN ACE, CHARITABLE CONTRIBUTIONS AND DPAD . . . . . [REDACTED]

---

- 3) PREADJUSTMENT AMTI BEFORE ACE, CONTRIBUTIONS, NOL, AND DPAD [REDACTED]
- 4) ACE ADJUSTMENT ITEMS . . . . . [REDACTED]

---

- 5) ACE WITHOUT CHARITABLE CONTRIBUTIONS (LINE 3 PLUS LINE 4) . . . . . [REDACTED]
- 6) LINE 5 LESS LINE 3 (ENTER EXCESS AS A NEGATIVE AMOUNT) . . . . . [REDACTED]
- 7) MULTIPLY LINE 6 BY 75%. ENTER RESULT AS A POSITIVE AMOUNT [REDACTED]
- 8) ENTER EXCESS OF PRIOR YEAR NET INCREASES IN AMTI DUE TO ACE [REDACTED]
- 9) ACE ADJUSTMENT: IF LINE 6 IS POSITIVE OR ZERO ENTER  
AMOUNT FROM LINE 7 HEREAAS A POSITIVE AMOUNT  
IF LINE 6 IS NEGATIVE, ENTER THE SMALLER OF LINE 7  
OR LINE 8 HERE AS A NEGATIVE AMOUNT . . . . . [REDACTED]

---

- 10) AMTI WITHOUT CONTRIBUTIONS, NOL AND DPAD (LINE 3 + LINE 9) [REDACTED]
- 11) CONTRIBUTION LIMITATION TO CALCULATE 90% AMTI LIMITATION  
FOR NOL . . . . . (LINE 10 PLUS SPECIAL DEDUCTIONS  
NOT PREVIOUSLY INCLUDED IN THE ACE ADJUSTMENT ON LINE 9  
ABOVE, MULTIPLIED BY 10%). . . . . [REDACTED]

---

- 12) TOTAL AVAILABLE CONTRIBUTIONS . . . . . [REDACTED]
- 13) CONTRIBUTION DEDUCTION TO CALCULATE 90% AMTI  
LIMITATION FOR NOL (LESSER LINE 11 OR 12) . . . . . [REDACTED]

---

- 14) AMTI FOR PURPOSES OF 90% NOL LIMITATION(LINE 10 LESS 13) [REDACTED]
- 15) NOL LIMITATION, 90% OF LINE 14 . . . . . [REDACTED]
- 16) TOTAL NOL AVAILABLE LESS ANY NOL CARRYBACK . . . . . [REDACTED]

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- 17) AMT NOL (LESSER OF LINE 15 OR LINE 16) . . . . . [REDACTED]

---

- 18) AMTI FOR CHARITABLE DEDUCTION FOR 10 % LIMITATION (LINE 10  
LESS AMT NOL ON LINE 17 PLUS SPECIAL DEDUCTIONS NOT  
PREVIOUSLY INCLUDED AS AN ACE ADJUSTMENT ON LINE 9) . . . . . [REDACTED]
- 19) 10% OF LINE 18 . . . . . [REDACTED]
- 20) AMT CHARITABLE DEDUCTION (LESSER OF LINE 12 OR LINE 19 [REDACTED]
- 21) REGULAR CONTRIBUTION DEDUCTION . . . . . [REDACTED]

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- 22) AMT CONTRIBUTION ADJUSTMENT (LINE 21 LESS LINE 20) . . . . . [REDACTED]
- 23) COMBINED AMT CHARITABLE CONTRIBUTION ADJUSTMENT . . . . . [REDACTED]

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- 24) CONSOLIDATED ADJUSTMENT TO LINE 20, FORM 4626 . . . . . [REDACTED]

FORM 4626 NOL CARRYOVER TO SUBSEQUENT TAX YEARS WHEN TAX REGULATION SECTION 1.170A-11(C)(2) APPLIES STATEMENT 33

AMT NOL DEDUCTION LIMITATION LESS: ADDITIONAL CONTRIBUTION DEDUCTION CALCULATED WITHOUT REGARD TO AMT NOL (LINE 20 OF THE AMT CONTRIBUTION WORKSHEET COMPARED TO THE LESSER OF LINE 12 OR OR LINE 13)

AMOUNT TO BE OFFSET BY NOL FOR PURPOSES OF TAX REGULATION SECTION 1.170A-11(C)(2)

Table with 5 columns: TAX YEAR END, NAME, TOTAL AMT NOL AFTER SRLY OR SEC. 382 LIMITATION, TOTAL AMT NOL DEDUCTED, REMAINING AMOUNT TO BE OFFSET. Includes rows for years 12/31/02, 12/31/03, 12/31/04, and 12/31/05.

YEAR END 12/31/03

YEAR END 12/31/04

YEAR END 12/31/05





YEAR END 12/31/06

FORM 4626 ALLOCATION  
REGULATION

	N
REMAINING CONSOLIDATED TAXABLE INCOME	A
12/31/02	
12/31/02	
12/31/02	
12/31/02	



AMT CHARITABLE CONTRIBUTION CARRYOVER TO SUBSEQUENT TAX YEARS STATEMENT 35  
WHEN TAX REGULATION SECTION 1.170A-11(C)(2) APPLIES

AMT CHARITABLE CONTRIBUTION DEDUCTION SUBJECT TO LIMITATION

[REDACTED]

PLUS: ADDITIONAL AMT CONTRIBUTION DEDUCTION CALCULATED  
WITHOUT REGARD TO AMT NOL (LINE 20 OF THE AMT CONTRIBUTION  
WORKSHEET COMPARED TO THE LESSER OF LINE 12 OR 10%  
OF THE SUM OF LINE 10 PLUS SPECIAL DEDUCTIONS NOT  
PREVIOUSLY INCLUDED IN THE ACE ADJUSTMENT)

[REDACTED]

AMT CHARITABLE DEDUCTION FOR PURPOSES OF TAX REGULATION  
SECTION 1.170A-11(C)(2)

[REDACTED]

	ORIGINAL CONTRIBUTION	APPLIED TO DATE	CONTRIBUTION AVAILABLE	AMOUNT DEDUCTED	REMAINING LIMITATION AFTER DEDUCTION
CURRENT YEAR					

YEAR END

YEAR END

YEAR END

YEAR END

YEAR END

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CHARITA  
CONTRIBU  
AVAILA

12/31/06

2

12/31/06

AMT DOMESTIC PRODUCTION ACTIVITIES DEDUCTION (DPAD) ADJUSTMENT STATEMENT 37

1) AMTI BEFORE DPAD . . . . .	[REDACTED]
2) QUALIFIED PRODUCTIONS ACTIVITY INCOME FROM FORM 8903 . . . . .	[REDACTED]
3) SMALLER OF LINE 1 OR LINE 2 BUT NOT LESS THAN 0 . . . . .	[REDACTED]
4) 6% OF LINE 3 . . . . .	[REDACTED]
5) W-2 WAGES FROM FORM 8903 . . . . .	[REDACTED]
6) 50% OF LINE 5 . . . . .	[REDACTED]
7) SMALLER OF LINE 4 OR LINE 6 . . . . .	[REDACTED]
8) DPAD FROM COOPERATIVES FROM FORM 8903 . . . . .	[REDACTED]
9) CONSOLIDATED AMT DPAD (ADD LINES 7 AND 8) . . . . .	[REDACTED]
10) CONSOLIDATED REGULAR DPAD . . . . .	[REDACTED]
11) CONSOLIDATED AMT DPAD ADJUSTMENT (LINE 10 LESS LINE 9) . . . . .	[REDACTED]
12) COMBINED AMT DPAD ADJUSTMENT . . . . .	[REDACTED]
13) CONSOLIDATED ADJUSTMENT TO LINE 20 OF FORM 4626 (LINE 11 LESS LINE 12). . . . .	[REDACTED]

**SCHEDULE OF COMBINED ALTERNATIVE MINIMUM TAXABLE INCOME**

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICAT IONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS , INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Taxable income or (loss) before NOL deduction</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Adjustments and Preferences</b>						
Depreciation of tangible property	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amortization of certified pollution control facilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Amortization of mining exploration and development costs						
Amortization of circulation expenditures						
Basis adjustments						
Long-term contracts entered into after Feb. 28, 1986						
Merchant marine capital construction funds						
Section 833(b) deduction						
Tax shelter farm activities						
Passive activities						
Certain loss limitations						
Depletion						
Private activity bond issued after August 7, 1986						
Intangible drilling costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other adjustments STATEMENT 38	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total Adjustment and Preference Items</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Pre-adjustment AMTI</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted current earnings adjustment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Combined pre-adjustment AMTI and above amount	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Alternative tax NOL deduction	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Alternative Minimum Taxable Income</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

COMBINED OTHER ADJUSTMENTS

COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
CHARITABLE CONTRIBUTIONS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
DOMESTIC PRODUCTION ACTIVITY DEDUCTION ADJUSTMENT	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL OTHER ADJUSTMENTS	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

FILE

# Statement of Consolidated Adjusted Current Earnings

Name

Employer identification number

POSTCO, INC AND SUBSIDIARIES

65-0727271

Adjusted Current Earnings	Schedule Reference	Combined Amounts	Consolidated Adjustments	Consolidated Amounts
Pre-adjustment AMTI				
<b>ACE Depreciation Adjustment</b>				
Depreciation expense recomputed for AMT purposes				
Post-1993 depreciation				
Post-1989, Pre-1994 property ACE depreciation				
Pre-1990 MACRS property ACE depreciation				
Pre-1990 original ACRS property ACE depreciation				
Sec. 168(f)(1) through (4) property ACE depreciation				
Other property ACE depreciation				
<b>Total ACE Depreciation</b>				
<b>ACE Depreciation Adjustment</b>				
<b>Inclusion in ACE of Items Included in E&amp;P</b>				
Tax-exempt interest income				
Death benefits from life insurance contracts				
All other distributions from life insurance contracts				
Inside buildup of undistributed income in life insur.				
Other items				
<b>Total Inclusion of Items</b>				
<b>Disallowance of Items Not Deductible in Computing E&amp;P</b>				
Certain dividends received				
Dividends paid on preferred stock of public utilities				
Dividends paid to an ESOP				
Non-patronage dividends				
Other items				
<b>Total Disallowance of Items</b>				
<b>Certain Other E&amp;P Adjustments</b>				
Intangible drilling costs				
Circulation expenditures				
Organizational expenditures				
LIFO inventory adjustments				
Installment sales				
<b>Total Other E&amp;P Adjustments</b>				
Disallowance of loss on exchange of debt pools				
Acquisition expenses of life insurance companies				
Depletion				
Basis adjustments				
<b>Adjusted Current Earnings</b>				
Subtract pre-adjustment AMTI from ACE				
<b>Adjusted Current Earnings Adjustment</b>				

**SCHEDULE OF COMBINED ADJUSTED CURRENT EARNINGS**

	COMBINED AMOUNTS	POSTCO, INC. 65-0727271	INDIANTOWN COMPANY, INC. 65-0727275	ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101	ARROW COMMUNICATIONS, INC. 11-2590704	PRINCESS AVIATION GROUP, INC. 65-0818740
<b>Pre-adjustment AMTI</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>ACE Depreciation Adjustment:</b>						
Depreciation expense recomputed for AMT purposes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Post-1993 depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Post-1989, Pre-1994 property ACE	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Pre-1990 MACRS property ACE depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Pre-1990 original ACRS property ACE	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sec. 168(f)(1) through (4) property ACE	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other property ACE depreciation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total ACE Depreciation</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>ACE Depreciation Adjustment</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Inclusion in ACE of Items Included in E&amp;P:</b>						
Tax-exempt interest income	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Death benefits from life insurance contracts	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
All other distributions from life insurance contracts	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Inside buildup of undistributed income in life insur.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other items	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total Inclusion of Items</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Disallowance of Items Not Deductible in Computing E&amp;P:</b>						
Certain dividends received	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dividends paid on preferred stock of public utilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dividends paid to an ESOP	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Non-patronage dividends	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other items	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total Disallowance of Items</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Certain Other E&amp;P Adjustments</b>						
Intangible drilling costs	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Circulation expenditures	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Organizational expenditures	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
LIFO inventory adjustments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Installment sales	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Total Other E&amp;P Adjustments</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Disallowance of loss on exchange of debt pools	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Acquisition expenses of life insurance companies	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depletion	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Basis adjustments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Adjusted Current Earnings</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtract pre-adjustment AMTI from ACE	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Adjusted Current Earnings Adjustment</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]



Name of corporation (common parent, if consolidated return)

POSTCO, INC.

Employer identification number  
65-0727271

Check applicable boxes: (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach schedules for lines 1 through 8)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar inc inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corporations				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)	( )			( )
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/delayed revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch)				
26 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 36)				
28 Other items with no differences				
29a Mixed groups see instructions. All others, add lines 26 through 28				
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c				

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

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Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120A/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)				
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation/carryforward				
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation				
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27				

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Department of the Treasury  
 Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

Name of common parent <b>POSTCO, INC.</b>	Employer identification number <b>65-0727271</b>
Name of subsidiary	Employer identification number

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 <b>Total cost of goods sold.</b> Add lines 1 through 7, in columns a, b, c, and d				

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Form 8916-A (2007)

<b>Part II Interest Income</b>					
	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

<b>Part III Interest Expense</b>					
	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

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Form 8916-A (2007)

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach schedules for lines 1 through 8)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar inc inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corporations				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)	( )			( )
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch)				
26 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 36)				
28 Other items with no differences				
29a Mixed groups. See instructions. All others, add lines 26 through 28				
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c				

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

Employer identification number

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	[REDACTED]		[REDACTED]	
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)	[REDACTED]			[REDACTED]
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment	[REDACTED]		[REDACTED]	[REDACTED]
12 Fines and penalties				
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property	[REDACTED]			[REDACTED]
20 Charitable contribution of intangible property				
21 Charitable contribution limitation/carryforward		[REDACTED]		[REDACTED]
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation	[REDACTED]	[REDACTED]		[REDACTED]
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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Department of the Treasury  
Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

Name of common parent  
**POSTCO, INC.**

Employer identification number  
**65-0727271**

Name of subsidiary

Employer identification number

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 <b>Total cost of goods sold.</b> Add lines 1 through 7, in columns a, b, c, and d				

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Form 8916-A (2007)

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

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Form 8916-A (2007)



POSTCO, INC.  
SCHEDULE M-3

65-0727271  
OTHER INCOME (LOSS) ITEMS WITH NO DIFFERENCES

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	INCOME (LOSS) PER TAX RETURN
GROSS RECEIPTS OR SALES	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

FILED

POSTCO, INC.  
SCHEDULE M-3

65-0727271

OTHER EXPENSE/DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	EXPENSE/ DEDUCTION PER TAX RETURN
OFFICERS COMPENSATION DUES AND SUBSCRIPTIONS	[REDACTED]	[REDACTED]
INSURANCE	[REDACTED]	[REDACTED]
LEGAL FEES	[REDACTED]	[REDACTED]
MISCELLANEOUS	[REDACTED]	[REDACTED]
OFFICE EXPENSE	[REDACTED]	[REDACTED]
OUTSIDE SERVICES	[REDACTED]	[REDACTED]
POSTAGE	[REDACTED]	[REDACTED]
ROUNDING	[REDACTED]	[REDACTED]
TELEPHONE	[REDACTED]	[REDACTED]
TRAINING	[REDACTED]	[REDACTED]
TRAVEL	[REDACTED]	[REDACTED]
VEHICLE EXPENSES	[REDACTED]	[REDACTED]
SALARIES AND WAGES	[REDACTED]	[REDACTED]
EMPLOYEE BENEFIT PROGRAMS	[REDACTED]	[REDACTED]
PERSONAL PROPERTY TAX	[REDACTED]	[REDACTED]
ACCOUNTING DEPARTMENT	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable boxes: (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**INDIANTOWN COMPANY, INC.**

Employer identification number

**65-0727275**

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return (see instructions)**

Income (Loss) Items (Attach schedules for lines 1 through 8)	(a) Income (Loss) per income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar inc inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corporations				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)	[REDACTED]			[REDACTED]
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)	( )			( )
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch) <b>STMT</b>	[REDACTED]		[REDACTED]	[REDACTED]
26 Total income (loss) items. Combine lines 1 through 25	[REDACTED]		[REDACTED]	[REDACTED]
27 Total expense/deduction items (from Part III, line 36)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
28 Other items with no differences	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
29a Mixed groups. See instructions. All others, add lines 26 through 28	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**INDIANTOWN COMPANY, INC.**

Employer identification number

**65-0727275**

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense	[REDACTED]		[REDACTED]	
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)	[REDACTED]			[REDACTED]
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment	[REDACTED]		[REDACTED]	[REDACTED]
12 Fines and penalties	[REDACTED]		[REDACTED]	
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property	[REDACTED]			[REDACTED]
20 Charitable contribution of intangible property		[REDACTED]		[REDACTED]
21 Charitable contribution limitation/carryforward				[REDACTED]
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation	[REDACTED]	[REDACTED]		[REDACTED]
32 Bad debt expense	[REDACTED]			[REDACTED]
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule) <b>STMT</b>			[REDACTED]	[REDACTED]
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

JWA

Department of the Treasury  
 Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

Name of common parent <b>POSTCO, INC.</b>	Employer identification number <b>65-0727271</b>
Name of subsidiary <b>INDIANTOWN COMPANY, INC.</b>	Employer identification number <b>65-0727275</b>

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 <b>Total cost of goods sold.</b> Add lines 1 through 7, in columns a, b, c, and d				

JWA For Paperwork Reduction Act Notice, see page 4.

Form 8916-A (2007)

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

JWA

Form 8916-A (2007)

INDIANTOWN COMPANY, INC. 65-0727275  
SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

DESCRIPTION	INCOME (LOSS)			INCOME (LOSS)
	PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	PER TAX RETURN
AMORTIZATION OF CONTRIBUTIONS IN AID OF CONSTRUCTION	[REDACTED]		[REDACTED]	[REDACTED]
TOTAL TO M-3, PART II, LINE 25	[REDACTED]		[REDACTED]	[REDACTED]

INDIANTOWN COMPANY, INC. 65-0727275  
SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH NO DIFFERENCES

DESCRIPTION	INCOME (LOSS)	INCOME (LOSS)
	PER INCOME STATEMENT	PER TAX RETURN
GROSS RECEIPTS OR SALES	[REDACTED]	[REDACTED]
ADMINISTRATIVE FEES	[REDACTED]	[REDACTED]
ADMINISTRATIVE FEES	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

INDIANTOWN COMPANY, INC. 65-0727275  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

DESCRIPTION				EXPENSE/
	EXPENSE/	TEMPORARY	PERMANENT	DEDUCTION
	PER INCOME	DIFFERENCE	DIFFERENCE	PER TAX
	STATEMENT			RETURN
RECLASSIFY 5% OF EXECUTIVE EXPENSES SUBJECT TO 50% LIMIT	0.			
TOTAL TO M-3, PART III, LINE 35	0.			

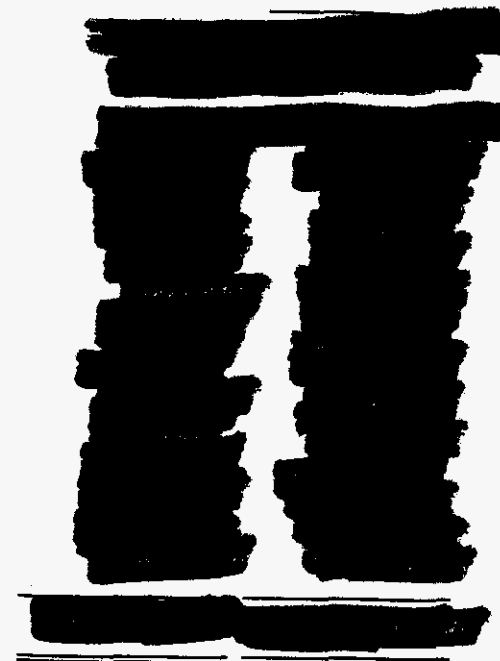
INDIANTOWN COMPANY, INC. 65-0727275  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	EXPENSE/	EXPENSE/
	DEDUCTION	DEDUCTION
	PER INCOME	PER TAX
	STATEMENT	RETURN
SALARIES AND WAGES		
REPAIRS		
RENTS		
ADVERTISING		
EMPLOYEE BENEFIT PROGRAMS		
MUNICIPAL FEES		
PAYROLL TAX		
PERSONAL PROPERTY TAX		
REAL ESTATE TAX		
UTILITY ASSESSMENTS		
ACCOUNTING FEES		
CHEMICALS		
COMPUTER EXPENSES		
CONTRACT SERVICES		
CONTRACT SERVICES		
DEBT EXPENSES		
DUES AND SUBSCRIPTIONS		
DUMPING FEES		
ENGINEERING FEES		
EQUIPMENT RENTAL		
FUEL		
GROUNDS EXPENSE		
INSURANCE		
LEGAL FEES		
LICENSES AND PERMITS		
MANAGEMENT FEES		



MISCELLANEOUS  
OFFICE EXPENSE  
OTHER EXPENSE  
OUTSIDE SERVICES  
OUTSIDE SERVICES  
POSTAGE  
PROFESSIONAL FEES  
REGULATORY EXPENSES  
ROUNDING  
SLUDGE REMOVAL  
SUPPLIES  
SUPPLIES  
TELEPHONE  
TRAVEL  
UNIFORMS  
UTILITIES  
VEHICLE EXPENSES  
RECYCLING EXPENSES

TOTAL TO SCHEDULE M-3, PART II, LINE 28



Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**ITS TELECOMMUNICATIONS SYSTEMS, INC.**

Employer identification number

**13-2663101**

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach schedules for lines 1 through 8)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar inc inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corporations				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)	( )			( )
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch) <b>STMT</b>				
26 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 36)				
28 Other items with no differences				
29a Mixed groups. See instructions. All others, add lines 26 through 28				
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c				

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number  
**65-0727271**

Check applicable boxes: (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120A/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**ITS TELECOMMUNICATIONS SYSTEMS, INC.**

Employer identification number  
**13-2663101**

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)				
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation/carryforward				
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation				
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule) <b>STMT</b>				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27				

JWA

Schedule M-3 (Form 1120) 2007

Department of the Treasury  
Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

Name of common parent <b>POSTCO, INC.</b>	Employer identification number <b>65-0727271</b>
Name of subsidiary <b>ITS TELECOMMUNICATIONS SYSTEMS, INC.</b>	Employer identification number <b>13-2663101</b>

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 <b>Total cost of goods sold.</b> Add lines 1 through 7, in columns a, b, c, and d				

JWA For Paperwork Reduction Act Notice, see page 4.

Form 8916-A (2007)

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

JWA

Form 8916-A (2007)

ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101  
 SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH DIFFERENCES

DESCRIPTION

DESCRIPTION	INCOME (LOSS)			INCOME (LOSS) PER TAX RETURN
	PER INCOME STATEMENT	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE	
AMORTIZATION OF 1988/89 FPSC EXCESS EARNINGS	[REDACTED]		[REDACTED]	[REDACTED]
TOTAL TO M-3, PART II, LINE 25	[REDACTED]		[REDACTED]	[REDACTED]

ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101  
 SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH NO DIFFERENCES

DESCRIPTION

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	INCOME (LOSS) PER TAX RETURN
	GROSS RECEIPTS OR SALES	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT			EXPENSE/ DEDUCTION PER TAX RETURN
	TEMPORARY DIFFERENCE	PERMANENT DIFFERENCE		
RECLASSIFY 5% OF EXECUTIVE EXPENSES SUBJECT TO 50% LIMIT	0.			
TOTAL TO M-3, PART III, LINE 35	0.			

ITS TELECOMMUNICATIONS SYSTEMS, INC. 13-2663101  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	EXPENSE/ DEDUCTION PER TAX RETURN
OFFICERS COMPENSATION		
SALARIES AND WAGES		
REPAIRS		
ADVERTISING		
EMPLOYEE BENEFIT PROGRAMS		
FLORIDA UTILITY TAX		
PERSONAL PROPERTY TAX		
REAL ESTATE TAX		
ACCESS CHARGES		
ACCOUNTING DEPARTMENT		
ADMINISTRATION		
CALL COMPLETION SERVICE		
COMPUTER EXPENSES		
CONTRACT OPERATORS		
CUSTOMER SERVICES		
DIRECTORY COSTS		
ENGINEERING DEPARTMENT		
EXECUTIVE DEPARTMENT		
EXECUTIVE EXPENSES		
INSURANCE		
LEGAL FEES		
LOCAL TESTING		
MATERIALS		
OTHER EXPENSES		
OUTSIDE SERVICES		
PLANT SUPERVISION		

POSTCO, INC AND SUBSIDIARIES

65-0727271

ROUNDING  
UTILITIES  
FOREIGN WITHHOLDING TAX  
OTHER OPERATING EXPENSE

[REDACTED] [REDACTED]  
[REDACTED] [REDACTED]  
[REDACTED] [REDACTED]

TOTAL TO SCHEDULE M-3, PART II, LINE 28

113



Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number  
**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**ARROW COMMUNICATIONS, INC.**

Employer identification number  
**11-2590704**

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach schedules for lines 1 through 8)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, QEF, and similar inc inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed income (loss) from equity method U.S. corporations				
6 U.S. dividends not eliminated in tax consolidation				
7 Minority interest for includible corporations				
8 Income (loss) from U.S. partnerships (attach schedule)				
9 Income (loss) from foreign partnerships (attach schedule)				
10 Income (loss) from other pass-through entities (attach schedule)				
11 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)				
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch)				
26 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 36)				
28 Other items with no differences				
29a Mixed groups. see instructions. All others, add lines 26 through 28				
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c				

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.

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02-08-08

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**ARROW COMMUNICATIONS, INC.**

Employer identification number

**11-2590704**

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)				
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation/carryforward				
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation				
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27				

JWA

Schedule M-3 (Form 1120) 2007

Department of the Treasury  
Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

Name of common parent <b>POSTCO, INC.</b>	Employer identification number <b>65-0727271</b>
Name of subsidiary <b>ARROW COMMUNICATIONS, INC.</b>	Employer identification number <b>11-2590704</b>

<b>Part I Cost of Goods Sold</b>	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule) <b>SEE STATEMENT</b>				
7 Other items with no differences				
8 <b>Total cost of goods sold.</b> Add lines 1 through 7, in columns a, b, c, and d				

JWA For Paperwork Reduction Act Notice, see page 4.

Form 8916-A (2007)

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

JWA

Form 8916-A (2007)

ARROW COMMUNICATIONS, INC. 11-2590704  
SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH NO DIFFERENCES

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	INCOME (LOSS) PER TAX RETURN
GROSS RECEIPTS OR SALES	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

FILED

ARROW COMMUNICATIONS, INC. 11-2590704  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	EXPENSE/ DEDUCTION PER TAX RETURN
SALARIES AND WAGES	[REDACTED]	[REDACTED]
RENTS	[REDACTED]	[REDACTED]
ADVERTISING	[REDACTED]	[REDACTED]
EMPLOYEE BENEFIT PROGRAMS	[REDACTED]	[REDACTED]
REAL ESTATE TAX	[REDACTED]	[REDACTED]
ACCESS CHARGES	[REDACTED]	[REDACTED]
ACCOUNTING DEPARTMENT	[REDACTED]	[REDACTED]
BILLING AND COLLECTION	[REDACTED]	[REDACTED]
COMMISSIONS	[REDACTED]	[REDACTED]
COMPUTER EXPENSES	[REDACTED]	[REDACTED]
CUSTOMER SERVICES	[REDACTED]	[REDACTED]
DUES AND SUBSCRIPTIONS	[REDACTED]	[REDACTED]
EXECUTIVE DEPARTMENT	[REDACTED]	[REDACTED]
FL ANNUAL REPORT	[REDACTED]	[REDACTED]
INSURANCE	[REDACTED]	[REDACTED]
LEGAL FEES	[REDACTED]	[REDACTED]
MANAGEMENT FEES	[REDACTED]	[REDACTED]
MISCELLANEOUS	[REDACTED]	[REDACTED]
OFFICE EXPENSE	[REDACTED]	[REDACTED]
OTHER COSTS OF OPERATIONS	[REDACTED]	[REDACTED]
OTHER EXPENSES	[REDACTED]	[REDACTED]
OUTSIDE SERVICES	[REDACTED]	[REDACTED]
POSTAGE	[REDACTED]	[REDACTED]
PROMOTIONAL EXPENSES	[REDACTED]	[REDACTED]
RECLASSIFY 5% OF EXECUTIVE EXPENSES SUBJECT TO 50% LIMIT	[REDACTED]	[REDACTED]
ROUNDING	[REDACTED]	[REDACTED]
SELLING EXPENSES	[REDACTED]	[REDACTED]
SUPPORT SERVICES	[REDACTED]	[REDACTED]
TELEPHONE	[REDACTED]	[REDACTED]
TRAINING	[REDACTED]	[REDACTED]
TRAVEL	[REDACTED]	[REDACTED]
UNIFORMS	[REDACTED]	[REDACTED]
WARRANTEE COSTS	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]

ARROW COMMUNICATIONS, INC.  
FORM 8916-A

11-2590704  
OTHER ITEMS WITH NO DIFFERENCES

DESCRIPTION	PER INCOME STATEMENT	PER TAX RETURN
ENDING INVENTORY	[REDACTED]	[REDACTED]
PURCHASES	[REDACTED]	[REDACTED]
BEGINNING INVENTORY	[REDACTED]	[REDACTED]
SALARIES AND WAGES	[REDACTED]	[REDACTED]
TOTAL TO LINE 7	[REDACTED]	[REDACTED]

RECEIVED

Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**PRINCESS AVIATION GROUP, INC.**

Employer identification number

**65-0818740**

**Part II Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return** (see instructions)

Income (Loss) Items (Attach schedules for lines 1 through 8)	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1 Income (loss) from equity method foreign corporations				
2 Gross foreign dividends not previously taxed				
3 Subpart F, DEF, and similar inc inclusions				
4 Section 78 gross-up				
5 Gross foreign distributions previously taxed				
6 Income (loss) from equity method U.S. corporations				
7 U.S. dividends not eliminated in tax consolidation				
8 Minority interest for includible corporations				
9 Income (loss) from U.S. partnerships (attach schedule)				
10 Income (loss) from foreign partnerships (attach schedule)				
11 Income (loss) from other pass-through entities (attach schedule)				
12 Items relating to reportable transactions (attach details)				
13 Interest income (attach Form 8916-A)				
14 Total accrual to cash adjustment				
15 Hedging transactions				
16 Mark-to-market income (loss)				
17 Cost of goods sold (attach Form 8916-A)	( )			( )
18 Sale versus lease (for sellers and/or lessors)				
19 Section 481(a) adjustments				
20 Unearned/deferred revenue				
21 Income recognition from long-term contracts				
22 Original issue discount and other imputed interest				
23a Income statement gain/loss on sale, exchange, abandonment, worthlessness, or other disposition of assets other than inventory and pass-through entities				
b Gross capital gains from Schedule D, excluding amounts from pass-through entities				
c Gross capital losses from Schedule D, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
d Net gain/loss reported on Form 4797, line 17, excluding amounts from pass-through entities, abandonment losses, and worthless stock losses				
e Abandonment losses				
f Worthless stock losses (attach details)				
g Other gain/loss on disposition of assets other than inventory				
24 Capital loss limitation and carryforward used				
25 Other income (loss) items with differences (attach sch)				
26 Total income (loss) items. Combine lines 1 through 25				
27 Total expense/deduction items (from Part III, line 36)				
28 Other items with no differences				
29a Mixed groups, see instructions. All others, add lines 26 through 28				
b PC insurance subgroup reconciliation totals				
c Life insurance subgroup reconciliation totals				
30 Reconciliation totals. Combine lines 29a through 29c				

Note. Line 30, column (a), must equal the amount on Part I, line 11, and column (d) must equal Form 1120, page 1, line 28.



Name of corporation (common parent, if consolidated return)

**POSTCO, INC.**

Employer identification number

**65-0727271**

Check applicable box(es): (1)  Consolidated group (2)  Parent corp (3)  Consolidated eliminations (4)  Subsidiary corp (5)  Mixed 1120/L/PC group

Check if a sub-consolidated: (6)  1120 group (7)  1120 eliminations

Name of subsidiary (if consolidated return)

**PRINCESS AVIATION GROUP, INC.**

Employer identification number

**65-0818740**

**Part III Reconciliation of Net Income (Loss) per Income Statement of Includible Corporations With Taxable Income per Return - Expense/Deduction Items** (see instructions)

Expense/Deduction Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 U.S. current income tax expense				
2 U.S. deferred income tax expense				
3 State and local current income tax expense				
4 State and local deferred income tax expense				
5 Foreign current income tax expense (other than foreign withholding taxes)				
6 Foreign deferred income tax expense				
7 Foreign withholding taxes				
8 Interest expense (attach Form 8916-A)				
9 Stock option expense				
10 Other equity-based compensation				
11 Meals and entertainment				
12 Fines and penalties				
13 Judgments, damages, awards, and similar costs				
14 Parachute payments				
15 Compensation with section 162(m) limitation				
16 Pension and profit-sharing				
17 Other post-retirement benefits				
18 Deferred compensation				
19 Charitable contribution of cash and tangible property				
20 Charitable contribution of intangible property				
21 Charitable contribution limitation/carryforward				
22 Domestic production activities deduction				
23 Current year acquisition or reorganization investment banking fees				
24 Current year acquisition or reorganization legal and accounting fees				
25 Current year acquisition/reorganization other costs				
26 Amortization/impairment of goodwill				
27 Amortization of acquisition, reorganization, and start-up costs				
28 Other amortization or impairment write-offs				
29 Section 198 environmental remediation costs				
30 Depletion				
31 Depreciation				
32 Bad debt expense				
33 Corporate owned life insurance premiums				
34 Purchase versus lease (for purchasers and/or lessees)				
35 Other expense/deduction items with differences (attach schedule)				
36 Total expense/deduction items. Combine lines 1 through 35. Enter here and on Part II, line 27				

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Schedule M-3 (Form 1120) 2007

Department of the Treasury  
Internal Revenue Service

▶ Attach to Schedule M-3 for Form 1065, 1120, 1120-L, 1120-PC, or 1120S.

Name of common parent <b>POSTCO, INC.</b>	Employer identification number <b>65-0727271</b>
Name of subsidiary <b>PRINCESS AVIATION GROUP, INC.</b>	Employer identification number <b>65-0818740</b>

**Part I Cost of Goods Sold**

Cost of Goods Sold Items	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1 Amounts attributable to cost flow assumptions				
2 Amounts attributable to:				
a Stock option expense				
b Other equity based compensation				
c Meals and entertainment				
d Parachute payments				
e Compensation with section 162(m) limitation				
f Pension and profit sharing				
g Other post-retirement benefits				
h Deferred compensation				
i Section 198 environmental remediation costs				
j Amortization				
k Depletion				
l Depreciation				
m Corporate owned life insurance premiums				
n Other section 263A costs				
3 Inventory shrinkage accruals				
4 Excess inventory and obsolescence reserves				
5 Lower of cost or market write-downs				
6 Other items with differences (attach schedule)				
7 Other items with no differences				
8 <b>Total cost of goods sold.</b> Add lines 1 through 7, in columns a, b, c, and d				

JWA For Paperwork Reduction Act Notice, see page 4.

Form 8916-A (2007)

**Part II Interest Income**

	Interest Income Item	(a) Income (Loss) per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Income (Loss) per Tax Return
1	Tax-exempt interest income				
2	Interest income from hybrid securities				
3	Sale/lease interest income				
4a	Intercompany interest income - From outside tax affiliated group				
4b	Intercompany interest income - From tax affiliated group				
5	Other interest income				
6	Total interest income. Add lines 1 through 5. Enter total on Schedule M-3 (Forms 1120, 1120-PC, and 1120-L), Part II, line 13 or Schedule M-3 (Forms 1065 and 1120-S) Part II, line 11.				

**Part III Interest Expense**

	Interest Expense Item	(a) Expense per Income Statement	(b) Temporary Difference	(c) Permanent Difference	(d) Deduction per Tax Return
1	Interest expense from hybrid securities				
2	Lease/purchase interest expense				
3a	Intercompany interest expense - Paid to outside tax affiliated group				
3b	Intercompany interest expense - Paid to tax affiliated group				
4	Other interest expense				
5	Total interest expense. Add lines 1 through 4. Enter total on Schedule M-3 (Form 1120) Part III, line 8; Schedule M-3 (Forms 1120-PC and 1120-L), Part III, line 36; Schedule M-3 (Form 1065) Part III, line 27; or Schedule M-3 (Form 1120-S) Part III, line 26.				

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Form 8916-A (2007)

PRINCESS AVIATION GROUP, INC. 65-0818740  
 SCHEDULE M-3 OTHER INCOME (LOSS) ITEMS WITH NO DIFFERENCES

DESCRIPTION	INCOME (LOSS) PER INCOME STATEMENT	INCOME (LOSS) PER TAX RETURN
GROSS RECEIPTS OR SALES SALES TAX COLLECTION FEE FORGIVENESS OF INDEBTNESS	<b>[REDACTED]</b>	<b>[REDACTED]</b>
TOTAL TO SCHEDULE M-3, PART II, LINE 28	<b>[REDACTED]</b>	<b>[REDACTED]</b>

PRINCESS AVIATION GROUP, INC. 65-0818740  
 SCHEDULE M-3 OTHER EXPENSE/DEDUCTION ITEMS WITH NO DIFFERENCES

DESCRIPTION	EXPENSE/ DEDUCTION PER INCOME STATEMENT	EXPENSE/ DEDUCTION PER TAX RETURN
REPAIRS	[REDACTED]	[REDACTED]
RENTS	[REDACTED]	[REDACTED]
ACCOUNTING FEES	[REDACTED]	[REDACTED]
BANK CHARGES	[REDACTED]	[REDACTED]
DUES AND SUBSCRIPTIONS	[REDACTED]	[REDACTED]
FL ANNUAL FEE	[REDACTED]	[REDACTED]
FUEL	[REDACTED]	[REDACTED]
INSURANCE	[REDACTED]	[REDACTED]
LEGAL FEES	[REDACTED]	[REDACTED]
MANAGEMENT FEES	[REDACTED]	[REDACTED]
MISCELLANEOUS	[REDACTED]	[REDACTED]
OFFICE EXPENSE	[REDACTED]	[REDACTED]
OTHER EXPENSE	[REDACTED]	[REDACTED]
SAFETY TRAINING	[REDACTED]	[REDACTED]
RECLASSIFY 5% OF EXECUTIVE EXPENSES SUBJECT TO 50% LIMIT	[REDACTED]	[REDACTED]
RECLASSIFY PERSONAL USE TO SCHEDULE E	[REDACTED]	[REDACTED]
SUPPLIES	[REDACTED]	[REDACTED]
TRAVEL	[REDACTED]	[REDACTED]
EQUIPMENT RENTAL	[REDACTED]	[REDACTED]
ROUNDING	[REDACTED]	[REDACTED]
ROUNDING	[REDACTED]	[REDACTED]
TOTAL TO SCHEDULE M-3, PART II, LINE 28	[REDACTED]	[REDACTED]