

**IMPACT OF SOX ON TELECOMMUNICATIONS INDUSTRY**  
**Section 404 Material Weaknesses**  
**For Companies with Years Ended in 2006**  
**As of April 20, 2007**

The following is a copy of the eight adverse reports that were issued from companies in the Telecommunications industry with years ended in 2006. These were all of the accelerated filers in the Telecommunications industry with adverse Sarbanes-Oxley Section 404 management self assessments. This information was gathered using the online research tool called Audit Analytics an Ives Group, Inc company.

The following is a summary of the **material internal control weaknesses** reported in the eight adverse Section 404 Self Assessments:

IC - Accounting documentation, policy and/or procedures	8
IC - Material and/or numerous auditor /YE adjustments	5
IC - Accounting personnel resources, competency/training	5
IC - Information technology, software, security & access issue	3
IC - Untimely or inadequate account reconciliations	2
IC - Restatement or nonreliance of company filings	2
IC - Non-routine transaction control issues	2
IC - Journal entry control issues	2

The following is a summary of the **material accounting weaknesses** reported in the eight adverse Section 404 Self Assessments. Section 404 is not just about internal control issues, but also about misapplication of financial accounting and reporting issues:

Acc - Tax expense/benefit/deferral/other (FAS 109) issues	5
Acc - Revenue recognition issues	4
Acc - PPE, intangible or fixed asset (value/diminution) issues	3
Acc - Liabilities, payables, reserves and accrual est failures	2
Acc - Income statemt classification, margin and EPS issues	2
Acc - Foreign, related party, affiliated and/or subsid issues	2
Acc - Depreciation, depletion or amortization issues	2
Acc - Accounts/loans receivable, investments & cash issues	2
Acc - Inventory, vendor and cost of sales issues	1
Acc - Financial derivatives/hedging (FAS 133) acctg issues	1
Acc - Expense recording (payroll, SG&A) issues	1
Acc - Deferred, stock-based or executive comp issues	1
Acc - Debt and/or equity classification issues	1
Acc - Debt, quasi-debt, warrants & equity (BCF) security issues	1
Acc - Acquisition, merger, disposal or reorganization issues	1

## **PRIMUS TELECOMMUNICATIONS GROUP INC**

The management of Primus Telecommunications Group, Incorporated ("Primus" or the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with United States generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of its internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on management's assessment and those criteria, management believes that Primus did not maintain effective internal control over financial reporting as of December 31, 2006, due to the material weakness in the Company's internal control over accounting for income taxes (details provided in Item 9A. Controls and Procedures of the Company's Annual Report on Form 10-K for the period ended December 31, 2006).

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report on management's assessment and the effectiveness of the Company's internal control over financial reporting. This report appears on page F-4.

## **FiberTower CORP**

Our management is responsible for establishing and maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting.

On August 29, 2006, FiberTower Network Services Corp. (which was formerly known as FiberTower Corporation and is referred to hereinafter as "Old FiberTower"), a privately-held company, merged with First Avenue Networks, Inc. Upon completion of the merger, First Avenue Networks, Inc. changed its name to FiberTower Corporation. Old FiberTower was determined to be the acquirer for accounting purposes. Our management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of OldFiberTower, which is included in the 2006 consolidated financial statements of FiberTower Corporation and constituted approximately \$159 million and \$131 million of total and net assets, respectively, as of December 31, 2006 and approximately \$13 million and \$47 million of revenues and net loss, respectively, for the year then ended. As of December 31, 2006, our management has assessed the effectiveness of our internal control over financial reporting. In making its assessment of internal control over financial reporting, management used the criteria issued by the Committee of Sponsoring



Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In performing the assessment, management has identified the following control deficiency that we have concluded is a material weakness in both the design and operating effectiveness of internal control over financial reporting as of December 31, 2006:

The scope and complexity of our operations increased during late 2006, principally as a result of the merger between Old Fiber Tower First Avenue Networks, Inc. and our subsequent convertible debt offering. As a result, we do not have a sufficient number of accounting personnel with the relevant technical accounting and financial reporting experience and skills, and we lack the requisite accounting systems (which were largely non-integrated as of December 31, 2006), to facilitate the preparation of timely and accurate consolidated financial statements, particularly with respect to accounting for significant unusual transactions. Consequently, material errors occurred, or have the potential to occur, in our accounting for (i) goodwill and deferred income tax liability accounts and (ii) embedded derivative financial instrument and other income and expense accounts, as well as in the related financial statement disclosures. Therefore, we recorded a number of adjustments to our 2006 consolidated financial statements, and related disclosures, prior to including them in this report.

Until this material weakness is remediated, there is more than a remote likelihood that a material misstatement to our annual or interim consolidated financial statements could occur and not be prevented or detected by our controls in a timely manner. As a result of the material weakness described above, management has concluded that, as of December 31, 2006, our system of internal control over financial reporting was not effective based on the criteria in Internal Control-Integrated Framework. Our independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on our assessment of our internal control over financial reporting. That report appears below in this Item 9A.

## **INTAC INTERNATIONAL INC**

**Management's Report on Internal Control Over Financial Reporting** Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

An internal control material weakness is a significant deficiency, or aggregation of deficiencies, that results in a more than remote likelihood that a material misstatement in annual or interim financial statements will not be prevented or detected on a timely basis by employees in the normal course of their work. An internal control significant deficiency, or aggregation of deficiencies, is a deficiency that results in a more than remote likelihood that a misstatement in



annual or interim financial statements is more than inconsequential.

Our management assessed the effectiveness of the Company's internal control over financial reporting, as defined in Securities Exchange Commission Act Rule 13a-15(f) as of September 30, 2006, and this assessment identified the following material weaknesses in the company's internal control over financial reporting:

1. Deficiency existed in our information technology ("IT") environment due to inadequate physical security controls around physical access to the accounting server in our Beijing location. Since then, this has been rectified and the server has been moved to a more restricted and secured area. Management did have backup recovery controls in place, which were tested and were found effective, which is a mitigating control to the lack of physical security around the accounting server.
2. Deficiency existed in our information technology ("IT") environment due to backup media not being taken offsite even though it is being stored in a fireproof safe at our Beijing location. Since then, this has been rectified by taking the backup media off site.
3. Deficiency existed in maintaining adequate controls on certain key spreadsheets used by the Company in its consolidation process. Since then, we have added controls including password protection and controls within the spreadsheet, to remediate these deficiencies.

In making its assessment of internal control over financial reporting, management used the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Because of the material weaknesses described in the preceding paragraphs, management believes that, as of September 30, 2006, the Company's internal control over financial reporting was not effective based on those criteria.

## **NEW ULM TELECOM INC**

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal controls are designed to provide reasonable assurance to the Company's management, Board of Directors and Audit Committee regarding the reliability of financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles. All internal controls, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles so that there is more than a remote likelihood that a misstatement of the Company's annual or interim financial statements that is more than inconsequential will not be prevented or detected.

Under the supervision, and with the participation of management, including the Company's Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2006 based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's evaluation identified a material weakness in the Company's internal control over reliance on an outside consultant.

The Company determined that it did not have adequate controls over an outside consultant. The Company has a consulting firm prepare its Carrier Access Billings (CABs). At December 31, 2006, the Company did not have in place an internal review process to ensure that the amounts being invoiced to inter-exchange carriers contained the correct rates and number of access minutes billed.



As a result of the material weakness discussed above, management has determined that its internal control over financial reporting was not effective as of December 31, 2006.

## **GENERAL COMMUNICATION INC**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by COSO. Based on that evaluation, our management concluded that as of December 31, 2006, we did not maintain effective internal control over financial reporting because of the existence of two material weaknesses. A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The material weaknesses are as follows.

1. Our policies and procedures did not provide for the review of billing rate changes in two of our systems that produce invoices for our common carrier customers. As a result, the entry of incorrect rates input into these billing systems were not detected, and we over-billed several of our common carrier customers, resulting in material misstatements of revenue and accounts receivable in our preliminary 2006 consolidated financial statements. Our revenue and accounts receivable were corrected prior to the issuance of our 2006 consolidated financial statements.
2. Our policies and procedures did not provide for effective analysis and implementation of accounting pronouncements as applied to non-routine transactions. As a result, an error was made regarding the interpretation and application of generally accepted accounting principles related to our 2005 purchase of shares of our Series B preferred stock. The amount that we paid for the preferred stock in excess of the carrying amount of the shares on our balance sheet should have reduced the amount of net income available to common shareholders used to calculate basic and diluted net income per common share. This material weakness resulted in the restatement, during December 2006, of our previously issued consolidated financial statements for the year ended December 31, 2005. This material weakness also resulted in the misstatement of accrued liabilities and non-cash compensation expense in our preliminary 2006 consolidated financial statements. Our accrued liabilities and non-cash compensation expense were corrected prior to the issuance of our 2006 consolidated financial statements.

Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8 of this Form 10-K.

### **(c) Remediation of Material Weaknesses in Internal Control Over Financial Reporting**

Subsequent to December 31, 2006, we corrected the billing system rate error so future billings will be issued and recorded using correct rates. We also have initiated processes, procedures and controls over the review and input of billing rates used in this billing system.

We have taken action to remediate the second material weakness described above, however, our remediation was not complete at December 31, 2006. Accordingly, this material weakness continues to be reported as a material weakness at December 31, 2006. We have taken action to remediate this material weakness as follows:

- Additional staff. In response to our identification of the potential risk due to the increased complexity in interpreting and implementing GAAP, we added a dedicated financial reporting position to assist in the preparation of our external financial reports, including SEC filings, and to interpret and apply accounting pronouncements to transactions.
- Use of external consultants. In December 2006, we initiated a relationship with a consulting firm experienced in SEC reporting and GAAP compliance. This relationship gives us access to consultants who can advise us on non-routine accounting transactions.
- Increased professional training budget. We increased our accounting department technical training budget in 2006



to increase and keep current our internal technical knowledge of GAAP, and expanded the group of individuals who attend such training.

- Increased awareness. Key management and accounting personnel have a heightened awareness of the risk that non-routine transactions may exist that require additional research and analysis. Unusual and complex transactions are reviewed and evaluated to determine if external advisors should be engaged to advise us on the appropriate interpretation and application of GAAP.

We will continue to monitor the effectiveness of these processes, procedures and controls, and will make any further changes as management determines to be appropriate.

We cannot assure you that these remediation efforts will be successful or that our internal control over financial reporting will be effective in accomplishing all control objectives all of the time. See "Part I — Item 1A — Risk Factors."

#### (d) Changes in Internal Control Over Financial Reporting

Except for the action toward remediation of the second material weakness described above and improvement in the effectiveness of controls relating to management review of journal entries and account reconciliations during the fourth quarter of 2006, there were no changes in our internal control over financial reporting identified in connection with the evaluation of our controls performed during the quarter ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Internal control over financial reporting is a system designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of its financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We may enhance, modify, and supplement internal controls and disclosure controls and procedures based on experience.

## **TURKCELL ILETISIM HIZMETLERI A S**

Management's Annual Report on Internal Control Over Financial Reporting. The Management of Turkcell is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2006. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

The management of Turkcell assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 based upon criteria set forth by Committee of Sponsoring Organizations of the Treadway



Commission ("COSO") in Internal Control—Integrated Framework.

This assessment identified the following "material weakness" (as defined by the Public Company Accounting Oversight Board or "PCAOB" in its Auditing Standard No. 2 "An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements" ("Auditing Standard No. 2")) in internal control over financial reporting as of December 31, 2006:

The Company did not maintain effective IT general controls over access to revenue related IT systems to monitor the shared user mechanism and usage, especially the existence of privileged system users in IT systems over revenue process. This control deficiency did not result in an adjustment to the interim or annual consolidated financial statements of Turkcell as of December 31, 2006.

## **UNITED STATES CELLULAR CORP**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. U.S. Cellular's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. U.S. Cellular's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the issuer's assets that could have a material effect on the interim or annual consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of U.S. Cellular's management, including its Chief Executive Officer and Chief Financial Officer, U.S. Cellular conducted an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the interim or annual consolidated financial statements will not be prevented or detected. Management identified the following material weaknesses in internal control over financial reporting as of December 31, 2006:

1. U.S. Cellular did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with the financial reporting requirements and the complexity of U.S. Cellular's operations and transactions. Further, U.S. Cellular did not have a sufficient number of qualified personnel to create, communicate and apply accounting policies and procedures in compliance with GAAP. This control deficiency contributed to the material weaknesses discussed in the items below and the restatement of U.S. Cellular's annual consolidated financial statements for 2005, 2004, 2003 and 2002, the interim consolidated financial statements for all quarters in 2005, 2004 and 2003, the interim consolidated financial statements for the first and second quarters of 2006, as well as adjustments, including audit adjustments, to the 2006 third quarter interim consolidated financial statements and the 2006 annual consolidated financial statements. Additionally, this control deficiency could result in a misstatement of substantially all accounts and disclosures that would result in a material misstatement to U.S. Cellular's interim or annual consolidated financial statements that would not be prevented or detected.

2. U.S. Cellular did not maintain effective controls over the completeness, accuracy, presentation and disclosure of its accounting for income taxes, including the determination of income tax expense, income taxes payable, liabilities



accrued for tax contingencies and deferred income tax assets and liabilities. Specifically, U.S. Cellular did not have effective controls designed and in place to accurately calculate income tax expense and income tax payable, monitor the difference between the income tax basis and the financial reporting basis of assets and liabilities and reconcile the resulting basis difference to its deferred income tax asset and liability balances. This control deficiency resulted in the restatement of U.S. Cellular's annual consolidated financial statements for 2004, 2003 and 2002, the interim consolidated financial statements for all quarters in 2004 and 2003, the interim consolidated financial statements for the first and second quarters of 2005, as well as adjustments, including audit adjustments, to the 2005 third quarter interim consolidated financial statements and the 2005 annual consolidated financial statements. Additionally, this control deficiency could result in a misstatement of the aforementioned accounts that would result in a material misstatement to U.S. Cellular's interim or annual consolidated financial statements that would not be prevented or detected.

3. U.S. Cellular did not maintain effective controls over accounting for prepaid forward contracts and related bifurcated embedded derivative instruments. Specifically, effective controls were not designed and in place to designate, re-designate and assess hedge effectiveness of the bifurcated embedded collars within the forward contracts as cash flow hedges of marketable equity securities when the embedded collars were contractually modified for differences between the actual and expected dividend rates on the underlying securities. This control deficiency affected other comprehensive income on the consolidated balance sheet and fair value adjustments of derivative instruments and income tax expense on the consolidated statement of operations. This control deficiency resulted in the restatement of U.S. Cellular's annual consolidated financial statements for 2005, 2004 and 2003, the interim consolidated financial statements for all quarters in 2005 and 2004, the interim consolidated financial statements for the first and second quarters of 2006, as well as adjustments, including audit adjustments, to the 2006 third quarter interim consolidated financial statements and the 2006 annual consolidated financial statements. Additionally, this control deficiency could result in a misstatement of the aforementioned accounts that would result in a material misstatement to U.S. Cellular's interim or annual consolidated financial statements that would not be prevented or detected.

4. U.S. Cellular did not maintain effective controls over its accounting for property, plant and equipment. Specifically, effective controls were not designed and in place to ensure accurate recording of transfers and disposals of equipment. This control deficiency affected depreciation expense, property, plant and equipment and accumulated depreciation. This control deficiency resulted in the restatement of U.S. Cellular's annual consolidated financial statements for 2005, 2004 and 2003, the interim consolidated financial statements for all quarters in 2005 and 2004, the interim consolidated financial statements for the first and second quarters of 2006, as well as adjustments, including audit adjustments, to the 2006 third quarter interim consolidated financial statements and the 2006 annual consolidated financial statements. Additionally, this control deficiency could result in a misstatement of the aforementioned accounts that would result in a material misstatement to U.S. Cellular's interim or annual consolidated financial statements that would not be prevented or detected.

As a result of the material weaknesses identified, management has determined that U.S. Cellular did not maintain effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control – Integrated Framework issued by the COSO.

Management's assessment of the effectiveness of U.S. Cellular's internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in the firm's report which is incorporated by reference into Item 8 of this Annual Report on Form 10-K.

#### Remediation of Material Weaknesses in Internal Control Over Financial Reporting

Management is currently addressing each of the material weaknesses in internal control over financial reporting and is committed to remediating them as expeditiously as possible. Further, management is undertaking a multi-year program to improve its technical accounting expertise, documentation from policies through detailed procedures and automation of accounting and financial reporting. Management is devoting significant time and resources to the remediation effort. Management's remediation activities include the following:

- Controller Review Committee – The Controller Review Committee was formed in the fourth quarter of 2004 and currently consists of TDS's Corporate Controller, U.S. Cellular's Controller and TDS Telecom's Chief Financial Officer.



The Committee oversees the accounting treatment for current, unusual or nonrecurring matters. The Committee has retained external financial accounting experts to advise the Committee on technical accounting matters and, in addition, to provide technical accounting training related to current accounting developments on a quarterly basis. TDS provides shared services to U.S. Cellular including assistance on technical accounting issues and external financial reporting.

- Accounting Policies and Process – U.S. Cellular has engaged external consultants to assist an internal team with a comprehensive review of key accounting policies and processes with the intent of eliminating the identified material weaknesses in internal control over financial reporting and improving the design and operating effectiveness of controls and processes. Such improvements will include the development and enhancement of written accounting policies and procedures, including policies and procedures for new accounting pronouncements, as well as communication and training related to the policies and procedures. Upon remediation of the identified material weaknesses, a similar team will be focused on longer-term improvements in key financial processes and support systems, with an emphasis on simplification of the financial reporting structure, automation, and the implementation of preventive and system-based controls.
- Training – Management has engaged external consultants to assist U.S. Cellular in developing and implementing a training program specific to the needs of accounting personnel. Training sessions were conducted in both the fourth quarter of 2006 and the first quarter of 2007, and additional classes will be conducted throughout 2007. In connection with these training efforts, U.S. Cellular plans to develop internal subject matter experts with respect to selected areas of accounting.
- Recruiting – U.S. Cellular has added, and is actively recruiting to fill, several new director, manager and staff level positions which will enhance the overall level of technical expertise and enable improvements in controls and processes.
- TDS – a Manager, Accounting and Reporting was added in the second quarter of 2005; a Manager, External Reporting was added in the third quarter of 2005; a Director of Accounting Policy and a Director, Internal Controls and SOX Compliance were added in the third quarter of 2006; and a Manager of Accounting Policy was added in the first quarter of 2007. TDS provides shared services to U.S. Cellular including assistance on technical accounting issues and external financial reporting.
- U.S. Cellular – a Vice President and Controller was added in the second quarter of 2005 and promoted to Executive Vice President – Finance and Chief Financial Officer in the first quarter of 2007; a Director, Accounting Policy and Reporting was added in the second quarter of 2006; a Manager, Accounting Policy was added in the fourth quarter of 2006; and a new Vice President and Controller was added in the first quarter of 2007.
- Financial Infrastructure – In late 2005, the Finance Leadership Team, consisting of key finance leaders from each of TDS’s business units and Corporate headquarters, commenced a Financial Infrastructure initiative. This multi-year initiative is focused on longer-term improvements in key financial processes and support systems, with an emphasis on simplification of the financial reporting structure, automation, preventive controls versus detective controls, and system-based controls versus manual controls.
- Income Tax Accounting – TDS provides shared services to U.S. Cellular including assistance with accounting for income taxes. TDS has engaged external tax advisors to assist in enhancing controls with respect to monitoring the difference between the income tax basis and financial reporting basis of assets and liabilities and reconciling the difference to the deferred income tax asset and liability balances. The scope of this project encompasses controls over income taxes on a TDS enterprise-wide basis, including U.S. Cellular. In addition, TDS is in the process of implementing a tax provisioning software which it believes will enhance its internal controls related to income taxes on a TDS enterprise-wide basis, including U.S. Cellular. TDS added an interim consultant in the first quarter of 2007 as the Director of Tax Accounting, a new position.
- Forward contracts and related derivative instruments – TDS provides shared services to U.S. Cellular including assistance with accounting for forward contracts and related derivative instruments. TDS has enhanced controls related to derivative instrument transactions and changed its accounting for derivatives. TDS has engaged external financial reporting advisors to provide expertise related to forward contracts, derivative instruments and hedge

accounting on an ongoing basis. More specifically, the financial reporting advisors will provide training designed to ensure that all relevant personnel involved in derivative instrument transactions understand and apply hedge accounting in compliance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." Until internal personnel are trained, the financial reporting advisors will consult on any forward contracts and derivative instrument transactions. Further, management has implemented controls to timely and appropriately identify and communicate any change in the derivative contracts that could affect the instrument, hedging effectiveness and underlying security valuation.

· Property, plant and equipment – U.S. Cellular began implementation of a new fixed assets management system in 2005. Enhancements to this system and supporting processes and procedures, including a cycle count program covering cell sites and switches, will improve controls related to accounting and reporting for property, plant and equipment, including controls related to disposals and transfers of decommissioned assets.

## **WARWICK VALLEY TELEPHONE CO**

Management's Report on Internal Control Over Financial Reporting Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the interim or annual consolidated financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate. The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In performing its assessment of the effectiveness of the Company's internal control over financial reporting, management applied the criteria described in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management identified the following control deficiencies which represent material weaknesses in the Company's internal control over financial reporting as of December 31, 2006: 1) The Company did not maintain an effective control environment. Specifically, the financial reporting organizational structure was not adequate to support the activities of the Company. Furthermore, the information technology infrastructure was not adequate to support the Company's financial accounting and reporting responsibilities. This control deficiency contributed to the material weaknesses described below in items 2 through 6 below. This control deficiency could result in the material misstatement of significant accounts and disclosures, including those described in items 2 through 6 below; that would result in material misstatements to the Company's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness. 2) The Company did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience and training in the selection and application of accounting principles generally accepted in the United States of America ("GAAP") commensurate with the Company's financial reporting requirements. Due in part to turnover in 2006 at both the Chief Financial Officer and Controller positions, certain key finance and accounting positions were not staffed with personnel possessing the appropriate skills, training, and experience in the application of GAAP to meet their responsibilities. This control deficiency contributed to the individual material weaknesses described below in items 3 through 6. This control deficiency could result in material misstatements of significant accounts and disclosures, including those described in items 3 through 6 below, that would result in a material misstatement to the Company's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness. 3) The Company did not maintain effective controls over the authorization, completeness and accuracy of revenue and accounts receivable. Specifically the controls over the

authorization, completeness and accuracy of (i) service activation and service order initiation; (ii) customer billing adjustments including write-offs; (iii) the development of, changes to and maintenance of billing rates; (iv) the approval and processing of customer payments, credits and other customer account applications; and (v) the switching process for tolls and carrier access billings, including the record transfer process, were not effective. This control deficiency did not result in audit adjustments to the 2006 interim or annual consolidated financial statements. This control deficiency could result in a misstatement of revenue or accounts receivable that would result in a material misstatement to the Company's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness. 4) The Company did not maintain effective controls over its financial reporting process. Specifically, the Company lacked policies, procedures, and controls for the preparation and review of the interim and annual consolidated financial statements and supporting schedules. This control deficiency contributed to the individual material weaknesses described below: a) The Company did not maintain effective controls over its preparation, review, and approval of significant account reconciliations and journal entries. Specifically, the Company did not maintain effective controls over the completeness and accuracy of underlying data for supporting schedules and journal entries for: (i) inventory and related valuation reserves, (ii) revenue and accounts receivable, and (iii) fixed assets and related depreciation accounts. This control deficiency did result in audit adjustments to the 2006 interim and annual consolidated financial statements. b) The Company did not maintain effective controls over the completeness and accuracy of period-end accruals. Specifically, several entries regarding accounts payable and related accrued expenses were not identified and recorded in the appropriate time period. This control deficiency resulted in audit adjustments to the 2006 interim and annual consolidated financial statements. c) The Company did not maintain effective controls over the preparation and review of the consolidated interim and annual financial statements. Specifically, the Company did not have effective controls over the process related to identifying and accumulating all required supporting information to ensure the completeness and accuracy of the consolidated financial statements and the accompanying footnote disclosures and to ensure the balances reported in the consolidated financial statements reconciled to the underlying supporting schedules and analyses. This control deficiency did not result in audit adjustments to the 2006 interim or annual consolidated financial statements. d) The Company did not maintain effective control over certain spreadsheets utilized in the period-end financial reporting process. Specifically, the Company lacked effective controls related to the completeness, accuracy, validity, and restricted access to spreadsheets related to: shareholders' equity including earnings per share; journal entries and reconciliations; taxes; revenue and accounts receivable; and payroll expense and the related accruals. This control deficiency did not result in audit adjustments to the 2006 interim or annual consolidated financial statements. In summary with respect to this deficiency, the control deficiencies described in a) through d) above could result in a material misstatement of the aforementioned accounts or disclosures that would result in a material misstatement to the Company's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that each of the control deficiencies described in a) through d) above constitutes a material weakness. 5) The Company did not maintain effective controls over changes to production applications and over access to programs and data. Specifically, certain of the Company's personnel had unrestricted access to various financial application programs and data beyond the requirements of their individual job responsibilities in processing accounts payable, inventory and revenue transactions. Such access was beyond the requirements of their assigned responsibilities and was not appropriately monitored. This control deficiency did not result in audit adjustments to the 2006 interim or annual consolidated financial statements. However, this control deficiency could result in a material misstatement of significant accounts or disclosures, including those described above, that would result in a material misstatement to the Company's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness. 6) The Company did not maintain effective controls over the design of its general ledger application. Specifically, the design of the general ledger application allows users to post adjusting entries to closed periods. Furthermore, this inadequate system design within the general ledger application permits users to post adjustments to prior periods without authorization. This control deficiency did not result in audit adjustments to the 2006 interim or annual consolidated financial statements. However, this control deficiency could result in a material misstatement of significant accounts or disclosures that would result in a material misstatement to the Company's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness. Because of these material weaknesses, management concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2006, based on the criteria in Internal Control-Integrated Framework issued by COSO. WithumSmith+ Brown, P.C., an independent registered public accounting firm, has audited management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006, as stated in their report, which appears herein.