

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

7/9/71

Tom:

We may not get a bill for your
helicopter pickup from Warsaw, Va.
to Washington.

However, this should be signed to
cover -- in any event.

Thanks.

Eva

TRAVEL VOUCHER

DEPARTMENT, BUREAU, OR ESTABLISHMENT Exec. Office of the President						VOUCHER NO.	
Office of Telecommunications Policy							
PAYEE'S NAME Clay T. Whitehead SS# 509-34-3700						PAID BY	
MAILING ADDRESS 2440 Virginia AV NW WA DC 20037							
OFFICIAL DUTY STATION Washington, D. C.				RESIDENCE Washington, D. C.			
FOR TRAVEL AND OTHER EXPENSES FROM (DATE) TO (DATE) 4/23/71 4/23/71				TRAVEL ADVANCE			
APPLICABLE TRAVEL AUTHORIZATION(S) NO. DATE				Outstanding \$		CHECK NO.	
				Amount to be applied		CASH PAYMENT RECEIVED:	
				Balance to remain outstanding \$		(DATE)	
				(SIGNATURE OF PAYEE)			

TRANSPORTATION REQUESTS ISSUED

TRANSPORTATION REQUEST NUMBER	AGENT'S VALUATION OF TICKET	INITIALS OF CARRIER ISSUING TICKET	MODE, CLASS OF SERVICE, AND ACCOM- MODATIONS *	DATE ISSUED	POINTS OF TRAVEL	
					FROM—	TO—

*** Certified correct. Payment or credit has not been received.*

July 9, 1971

(Date)

(Signature of Payee)

AMOUNT
CLAIMED

Dollars	Cts
---------	-----

Cts

APPROVED (Supervisory and other approvals when required)

Admin. approved in accord. with
Para. 2.1.b. of SGTR.

DIFFERENCES:

NEXT PREVIOUS VOUCHER PAID UNDER SAME TRAVEL AUTHORITY

VOUCHER NO.

D.O. SYMBOL

DATE (MONTH-YEAR)

Total verified correct for charge to appropriation(s)

Certified correct and proper for payment:

Applied to travel advance (appropriation symbol)

NET TO
TRAVELER

ACCOUNTING CLASSIFICATION (Appropriation symbol must be shown; other classification optional)

* Abbreviations for Pullman accommodations: MR, master room; DR, drawing room; CP, compartment; BR, bedroom; DSR, duplex single room; RM, roomette; DRM, duplex roomette; SOS, single occupancy section, LB, lower berth; UB, upper berth; LB-UB, lower and upper berth; S, seat.

than \$10,000 or imprisonment for not more than 5 years or both (18 U.S.C. 287; *id.* 1001).

PREVIOUS TEMPORARY DUTY (Complete these blocks only if in travel status immediately prior to period covered by this voucher and if administratively required)

PREVIOUS TEMPORARY DUTY (Complete these blocks only if in travel status immediately prior to period covered by this voucher and if administratively required)

[illegible][illegible]

Grand total to face of voucher
(Subtotals, to be carried forward if necessary)

20 MAY 1971

Chron
✓ Visit 4/23/71
TW - Pers.
Corres.

Mr. James S. Day
President
Tidewater Telephone Company
8 Main Street
Warsaw, Virginia 22572

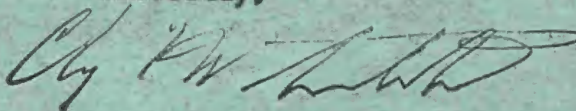
Dear Bud:

I want you to know (a bit belatedly) how much I appreciated the tour of the Tidewater Telephone Company's territory and operations. Seeing your operations firsthand was very useful.

I think I have a much better feel for what otherwise would be abstract considerations. In addition to the educational value, it was most enjoyable. Margaret and I particularly enjoyed the oysters!

I know USITA is keeping you very busy, but I hope we can keep in touch. My best to both you and Dot.

Sincerely,



Clay T. Whitehead

cc: Mr. Whitehead
Mrs. Smith

Smith/Whitehead:jm 5/18/71

Itinerary for
Clay T. Whitehead
Friday, April 23, 1971

Friday 4/23

7:00 a.m. Coyt will pick you up at your apartment and drive you to Warsaw, Virginia

Instructions Bud Day gave you over the phone:

Interstate Route 95
Fredericksburg to Rt. 17
to Falmouth to 1st light after Route 1
Go right to State 218 and left on Rt. 3
to Warsaw, Virginia

Telephone office on right downtown (old white frame building)

When talking with Mr. Day he gave me the following instructions:

Take Interstate Route 95 to
the first Fredericksburg exit to Rt. 17 South
To Falmouth -- keep going straight to the first
traffic light after you cross over Route 1
Turn right - 4 blocks to State Rt. 218 and
Left on Rt. 3 to Warsaw, Virginia.

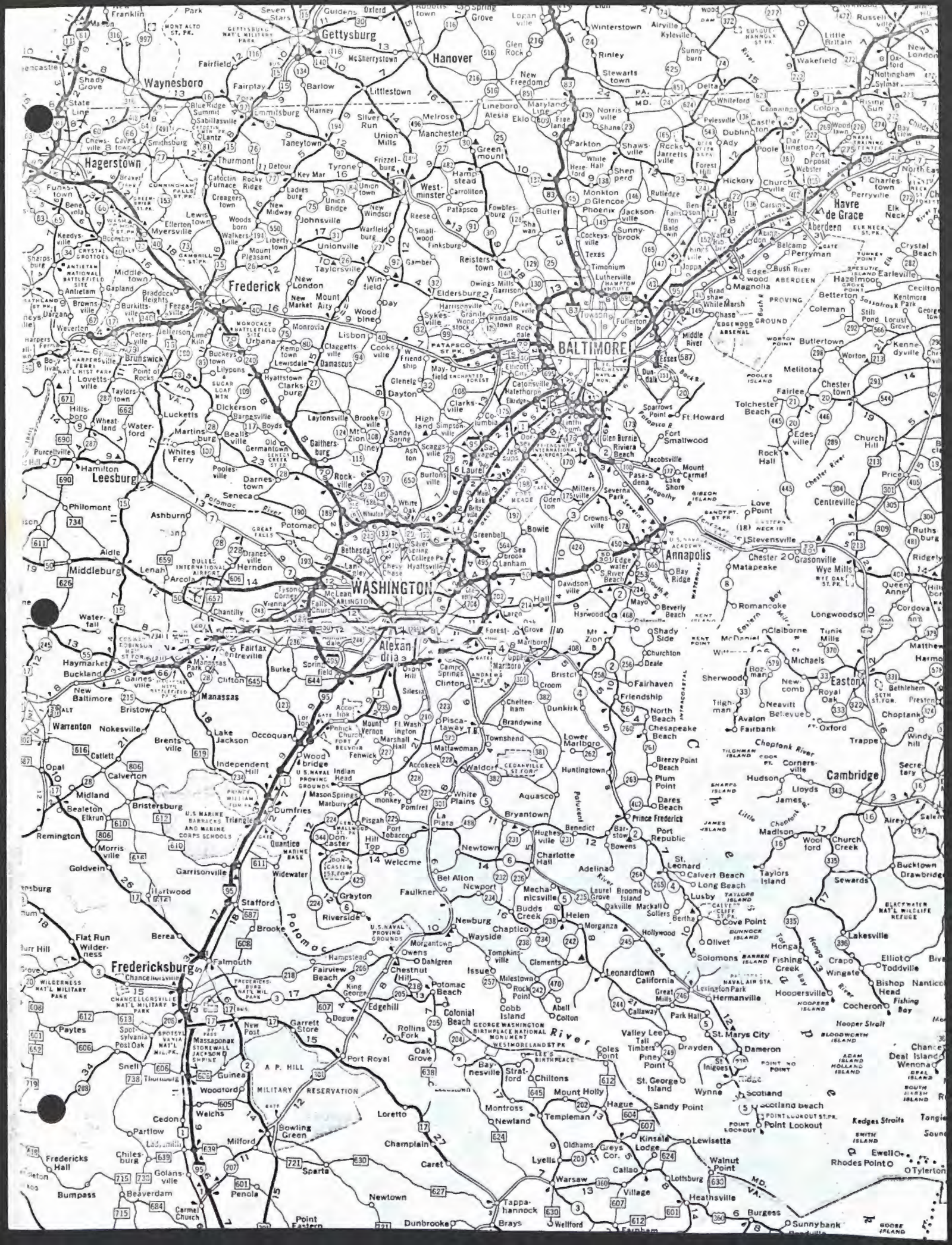
(Total trip is 110 miles -- from the time you hit Rt. 3 it will be 58 miles.

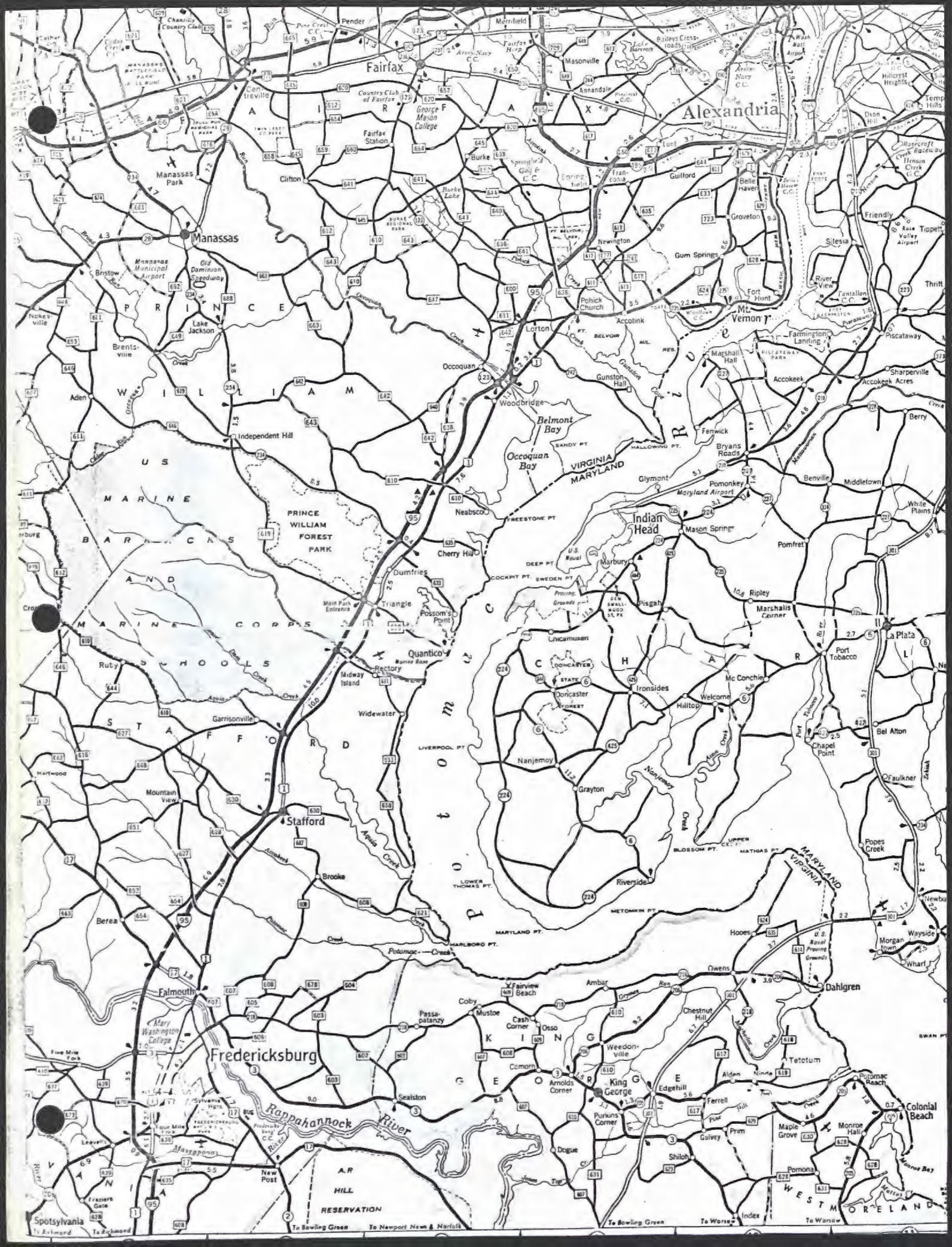
Mr. Day's office can be reached until 5 o'clock (703) 333-2381
After 5 o'clock, call his residence (703) 333-7251

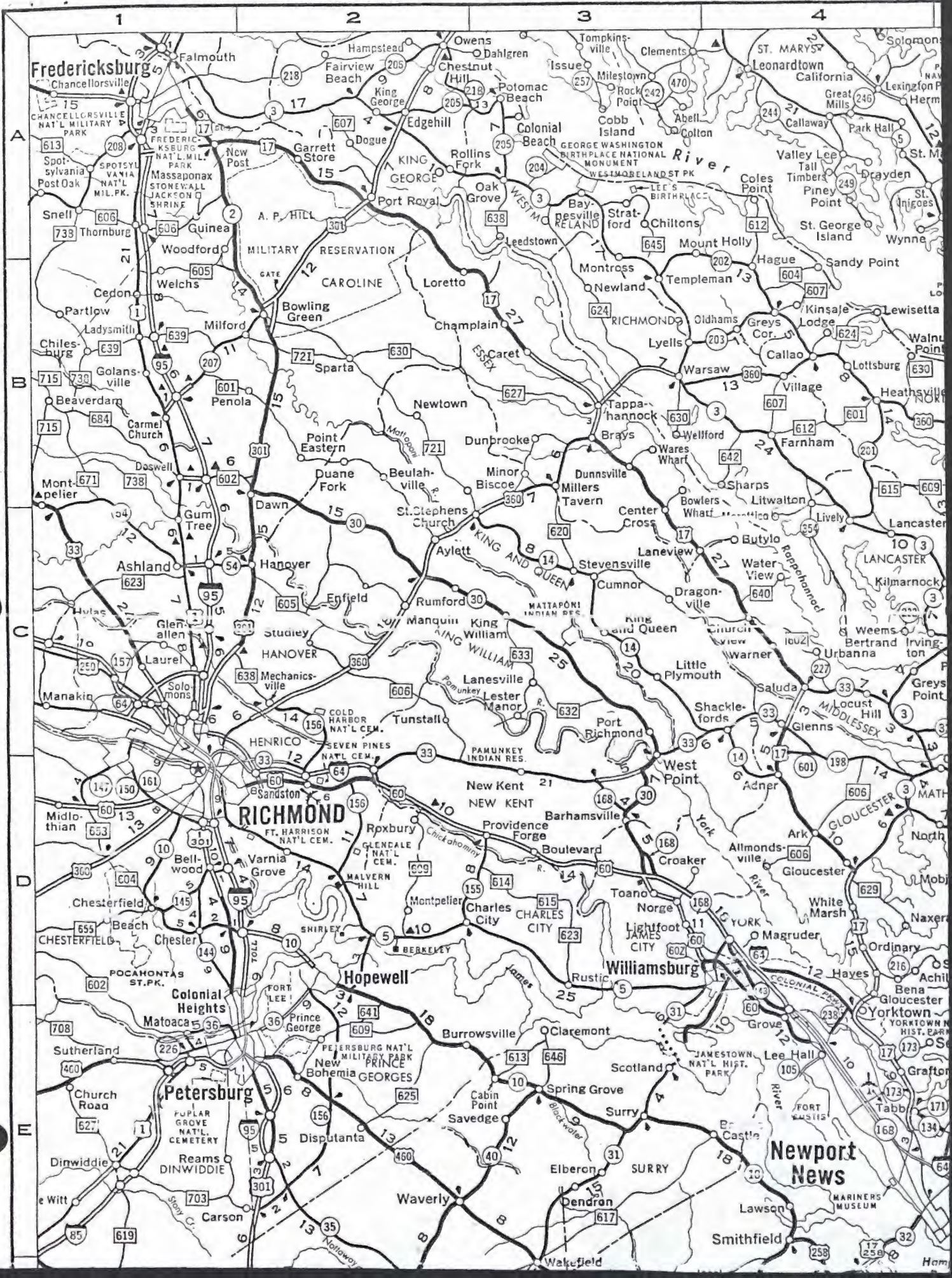
Suggest you call in during the day (after your 2-3 hour flight around the area) to be sure the 5 o'clock meeting is still firm.

If you are flown in by Mr. Day, we can have Coyt pick you up at National Airport.

In which case, I would assume you would want Coyt to drive you back to Warsaw on Saturday morning.







Call Bud Day and advise that Tom will be coming back by helicopter around 3 o'clock and we appreciated his offer but have made arrangements to have the helicopter from DOD pick him up at Tappahannock.

Tom would plan on leaving around 7 a. m. on Saturday to come down to Warsaw again-- arriving about 9 a. m. -- O.K. ????????

CALL MARGE AT NOON AND ASK
HER TO CONFIRM THE 5 o'clock MEETING

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

April 22

Eva:

An A.F. helo is set up to lift Tom from Tappahanock Municipal Airport to the Pentagon. Pick up time 3:00 PM. Will be a single rotor "Huey" type. On arrival they will taxi to as near the operations bldg as possible. Tom should go straight out to the helo when it arrives and they will be off.

The A.F. computes only 50 odd flying miles--therefore a much shorter trip--45 to 50 min. estimate. Weather: they need 1500 feet and 3 miles visibility. Can cancel as late as 1:30 PM.

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

4/23/71

Eva:-

I will be at a funeral this P.M. at 2:00. If complications develop with Tom's trip by helo - people to call are:

Col. Rollins }
Col. Hall } all ext. 4825
Sgt. ZARRELLA } off the W. H.
Board

JPR

OR
OX 50128

4/23
Thursday 4/22/71

4:50 Capt. Raish has made arrangements for an Air Force helicopter to pick you up from the Tappahannock Municipal Airport at 3 p.m. Friday(4/23) -- they will taxi to as near the operations building as possible. You should go straight out to the helo when it arrives and they will fly you back to Natl Pentagon Pad -- Coyt will pick you up and bring you back to the White House.

I will be checking Marge again tomorrow for her to confirm that the 5 o'clock meeting is still on.

Wednesday 4/21/71

MEETING
4/23/71

5:10 Capt. Raish advises he has been in touch with Col. James Murphy Cx. 7-6691 at the Pentagon. The approximate cost for a helicopter to pick you up at Tappahannock Airport (near Warsaw, Virginia) on Friday to bring you back here would be \$200 -- they have a two-hour minimum.

If possible, they would like to have as much lead time as possible to set this up.

Wednesday 4/21/71

MEETING
4/23/71

12:10 Coyt will pick you up at 7 a.m. at your apartment on Friday (4/23). The trip to Warsaw, Virginia, is 110 miles -- approximately 2 hours' driving.

There is an airport at Tappahannock, which is seven miles from Warsaw.

I checked with Major Brennan in Gen. Hughes' office and he advises that their helicopters will be tied up at the time you would be needing one on Friday to bring you back for the 5 o'clock meeting in Dr. Kissinger's office.

I had checked Bud Day's office to see where the airport is down there. Advised that you would probably have to return to Washington for a 5 o'clock meeting. He advises he plans to lease one of those slow planes and fly around for 3 or 4 hours so you can get a grasp of the area geographically.

Said he could just drop you up to Washington, if that would be helpful. I told him I was exploring the possibility of a helicopter.

Since we can't get the helicopter from the White House, would you want anyone to check with DOD -- however, I doubt if that could be done easily????

If Coyt stayed down there, you would probably have to start back around 2:30 to get here for the 5 o'clock meeting.

Do you want us to get the name of a plane that you might charter to bring you back from Tappahannock?

Or would you want to take Bud Day up on his offer to fly you back here since he will have the plane leased already?

Then Coyt could drive you back down Saturday morning.

Wednesday 3/3/71

MEETING
4/23----weekend

1:15 Call Bud Day's office to advise that you would be unable to join him on Thursday (4/22) through the rest of the week) -- as he had suggested.

(703) 333-2000

Checked to see if Friday (4/23) through Saturday morning (4/24) might be all right.

She (Mrs. Virginia Sanders) checked with Mr. Day and he indicated that would be fine and he would be in touch with you personally prior to that time to make definite arrangements.

Thursday 2/25/71

MEETING
4/22/71

4:10 Mr. Scalia advises that last night you made a tentative commitment to go visit Bud Day (Exec. Director of USITA) on Thursday (4/22), and through the remainder of the week.

Could we have a wrong date? That is the day you go to Yale for the Seminar.

For water
(703) 333-2387

Would you like me to check Mr. Day's office?

Yes

Virginia Sanders
wc Monday

Monday 3/1/71

MEETING

2:10

EVA

Mrs. Virginia Sanders, Mr. Day's office, called. the date Mr. Day gave to Mr. Whitehead was April 22nd. If Mr. Whitehead cannot go down then, he would have to consider a later date that would be in July or August.

(703) 333-2000

Chrs.

OFFICE OF TELECOMMUNICATIONS POLICY
WASHINGTON

Telephone office on right downtown
old white frame building

I-95 ^{also exit 8}
^{1st exit} Fredericksburg ^{exit} to Rt 17 ^{South} Rt
to Falmouth to 1st light after #1 ^{cross over}
go right state 20 ^{2/8} at Falmouth
left on rte 3.

(703) 333-2381

Warsaw, Va.

Mrs. Days' office
(until 5)

Taxis after 5
Mrs. Days' residence
333-7251

airport at
Tappahannock

7 miles from Warsaw

airport at Tappahannock

90916 (5 pm.)

2017-6-24

(48) miles
miles
Rt 3

110 miles
1000
war

leaves on

to be

3 or 4

and d. ag
of by

Wash Nat
airport



helicopter

Tappan

Tappan

TIDEWATER TELEPHONE COMPANY
WARSAW, VIRGINIA 22572

JAMES S. DAY
PRESIDENT

April 20, 1971

AREA CODE 703
333-2000

Honorable Clay T. Whitehead
White House
1800 G Street, N W
Washington, D. C.

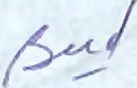
Dear Tom:

I am enclosing a copy of our Annual Report for you to review while driving down Friday morning. You will note the map on the inside back cover which is marked to indicate our operating area. I have marked this so that you can approximate when you enter our service area and can appreciate the rural aspects of our area here.

I am very pleased that you are coming and look forward to seeing you on the morning of Friday, April 23.

With warm regards, I am

Sincerely,


James S. Day

JSD:vs



Tidewater Telephone Company



25th Anniversary Annual Report • 1970



Tidewater Telephone Company • Warsaw, Virginia • Annual Report • 1970

ANNUAL MEETING OF STOCKHOLDERS

•

Lowery's Restaurant, Warsaw, Virginia

•

April 16, 1971 at 3:00 p.m.

Cover Photo: Downing Bridge, Tappahannock

To the Stockholders

On behalf of the Board of Directors I am pleased to present this report of our Company's activities for 1970.

I feel that the following pages will furnish a concise and informative summary of the Company's operations for the year and solicit your careful review. Our Annual Meeting will be held at Lowery's Restaurant in Warsaw, Virginia at 3 o'clock P.M. on April 16, 1971. I hope that as many of you as possible will attend.

The Board of Directors and management gratefully acknowledge the continued support of the Company's employees and stockholders.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "J. S. Day". The signature is fluid and cursive, with a horizontal line under the last name.

President

Highlights

	1970	1969
Operating Revenues	\$ 5,851,803	\$ 5,067,072
Operating Expenses	3,380,848	2,965,925
Operating Taxes	363,012	321,685
Other Income	85,406	56,123
Interest and Other Deductions	870,237	614,371
Net Income Before Income Taxes	1,323,112	1,221,214
Provision for Federal Income Taxes	450,382	453,090
Earnings Available for Common Stock	872,730	768,124
*Earnings Per Share Common Stock	1.85	1.63
*Earnings Per Share Common Stock Assuming Full Dilution	1.61	1.58
Shares Common Stock Outstanding	472,611	472,602
Dividends Declared on Common Stock	415,898	373,356
Per Share88	.79
Property, Plant and Equipment (Before Depreciation Reserve)	28,080,727	24,371,754
Total Assets (Less Reserves)	24,291,780	20,658,217
Long Term Debt:		
First Mortgage Bonds	9,980,000	7,996,000
7% Convertible Subordinated Debentures	2,999,800	3,000,000
Total Long Term Debt	12,979,800	10,996,000
Net Worth (Excludes "Contributions in Aid of Construction")	8,153,459	7,696,426
Book Value Per Common Share	17.25	16.29
Exchanges	25	25
Stations in Service	38,457	36,276

* See Note 5 to the Financial Statements, which explains earnings per share.



Menhaden Catch Alongside Fishing Steamer

The Year in Brief

Stratford Hall Plantation

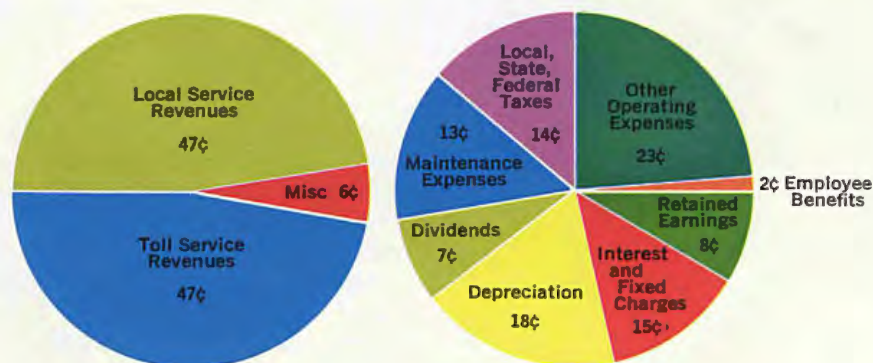
TELEPHONE GROWTH: A total of 9,874 telephones were installed and 7,693 telephones removed, resulting in a net gain of 2,181 during the year. Orders held for telephone service at the end of 1969 amounted to 835. At the end of 1970 held orders throughout the system amounted to 859.

The average net investment for each telephone in service at the end of 1970 was \$580, up \$59 from the 1969 figure. This increase is due principally to the rising costs of construction.

CONSTRUCTION: Total Capital Assets (before depreciation reserve) at the end of the year amounted to \$28,080,727. Gross additions to plant made in 1970 amounted to \$5,413,686.

Included in the additions to plant were central office equipment, \$1,477,708; aerial cable, \$1,233,016; underground and buried cable, \$1,557,424. Other items included buildings, \$69,670 and station apparatus and installations, \$679,066.

A total of 2,150,000 feet of direct buried wire and cable was installed and placed in service during the year. The central office equipment additions included 4100 lines and 7900 terminals of



Source and Distribution of the Revenue Dollar
for the Year Ending December 31, 1970

equipment added in 16 offices. Also added during the year were 119 additional inter-exchange circuits which represent an increase of approximately 15%.

OPERATING RESULTS: Operating revenues for the years 1969 and 1970 were \$5,067,072 and \$5,851,803, respectively, an increase of \$784,731 or 16%. Operating expense showed an increase of 14% from \$2,965,925 to \$3,380,848. Of the latter figure, charges to depreciation amounted to \$1,099,984, an increase of \$121,567 over 1969. The net increase in all other operating expenses amounted to \$293,356.

Income from operations, amounting to \$2,107,943, reflects an increase of 18% from the \$1,779,462 for 1969. After the payment of interest, other deductions and income taxes the sum available for dividends for 1970 was \$872,730 as compared with \$768,124 for 1969.

Operating revenues of \$5,851,803 and net income of \$872,730 after provision for Federal Income Taxes were the highest in the Company's history. The percentage of operating expenses to operating revenues amounted to 57.77%, down .76% from 1969.

The program of upgrading our service offering to one and five-party service in accordance with the State Corporation Commission's order of February 17, 1969 was 77% completed at the year end. The completion of this work has been delayed due to labor strikes involving our major equipment supplier. It is expected that this program will be completed about June 1971.

FINANCING: During the past 20 years the Company has experienced a continuing and increasing demand for additional services and improvements in existing services. During the past 5 years to provide the necessary funds for capital expenditures, the Company has been successful in selling \$2,500,000 principal amount of its First Mortgage Bonds, 5 $\frac{7}{8}$ % Series K; \$2,500,000 principal amount of its First Mortgage Bonds, 8% Series L; \$3,000,000 principal amount of its 7% Convertible Subordinated Debentures and 67,514 shares of its Common Stock (\$10 par).

The Company plans to raise during 1971 approximately \$2,000,000 from the sale of First Mortgage Bonds and from \$3,000,000 to \$3,500,000 from the sale of Common Stock. Your Board of Directors at its January 1971 meeting approved a \$4,162,779 construction budget for the current year. Approximately \$1,750,000 of this amount is expected to be generated internally from retained earnings and depreciation on present plant.

DIVIDENDS: A dividend of 88¢ per share was paid on outstanding common shares during 1970. A total of \$415,898 was paid in dividends. This amounts to 47.65% of the funds available for dividends for 1970 compared with 48.61% for 1969.

TAXES: Social Security, real estate, personal property, and gross receipts taxes for the year amounted to \$363,012. Similar payments in 1969 amounted to \$321,685. Provision for Federal Taxes on income amounted to \$450,382. Total taxes for the years 1969 and 1970 were \$774,775 and \$813,394 respectively. Taxes collected by the Company during the year and paid to the Federal Government were: Excise taxes on telephone bills collected from our customers, \$462,252; withholding taxes from employees, \$243,723; social security taxes from employees \$84,359.



Coles Point Methodist Church

EMPLOYEES: At the end of the year the employees of Tidewater Telephone Company numbered 337 as compared to 325 employees at the end of 1969. The Company maintains at no cost to employees, group hospitalization, death benefits, disability benefits, and a pension plan. The Company maintains progressive wage schedules and each employee is considered for upward wage adjustments at regular intervals. In addition to these adjustments, one across the board upward wage adjustment was made during the year. The payroll for 1970 was \$1,907,691 compared with \$1,692,461 for 1969.

Our employees are not represented by a union. The Communications Workers of America, AFL-CIO, attempted to organize certain of our plant employees and an election ordered by the National Labor Relations Board was held on April 30, 1970. Our employees turned the union away voting 90 against the union and 34 for the union. This was the fourth unsuccessful attempt by this union to organize our employees.

5



Menhaden Company, Inc., Reedville



Drum Choppers Preparing Land for Tree Planting

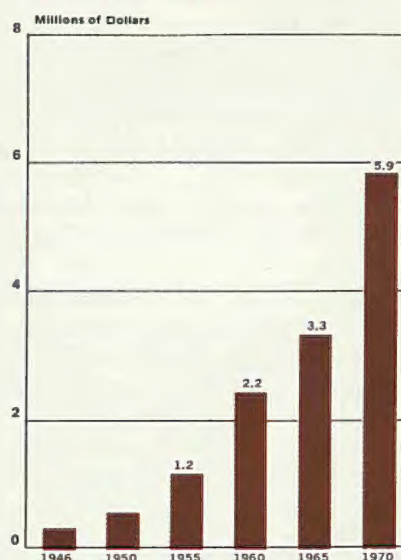


Union Bank & Trust Co., Ladysmith

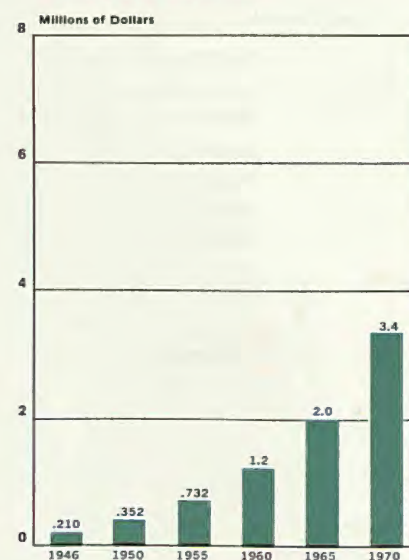
Balance Sheet

December 31, 1970 and 1969

OPERATING REVENUE



OPERATING EXPENSES



Assets

PROPERTY, PLANT AND EQUIPMENT (Notes 1 and 3):

	1970	1969
Telephone plant in service	\$27,426,114	\$23,045,140
Telephone plant held for future use	5,496	—
Telephone plant under construction	649,117	1,326,614
	<u>28,080,727</u>	<u>24,371,754</u>
Less accumulated depreciation	5,782,515	5,443,844
Net property, plant and equipment	<u>22,298,212</u>	<u>18,927,910</u>

CURRENT ASSETS:

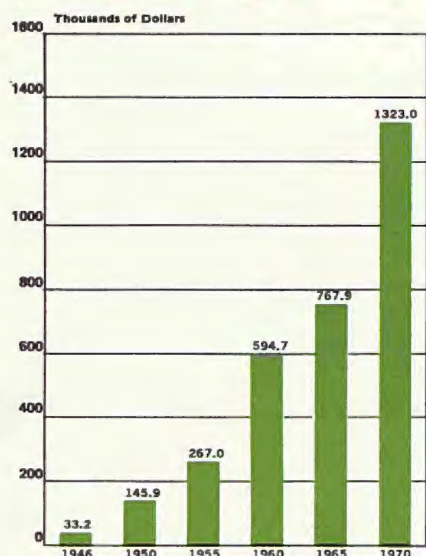
Cash	188,856	76,056
Funds in hands of fiscal agent	—	46,194
Accounts receivable and accrued revenues, net	635,169	652,071
Other accounts receivable	105,049	54,593
Materials and supplies at cost or average cost	592,069	517,028
Prepaid expenses	217,742	140,107
Total current assets	<u>1,738,885</u>	<u>1,486,049</u>

DEFERRED CHARGES:

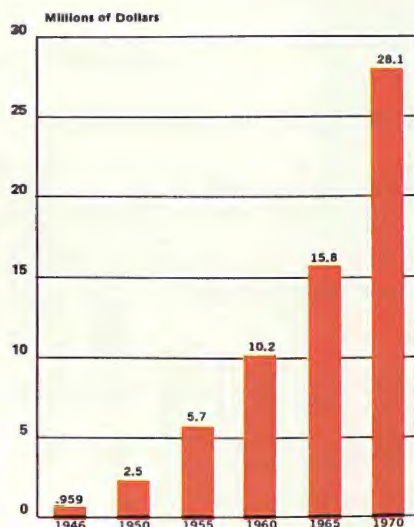
Unamortized bond issue expense (Note 2)	235,040	224,583
Other deferred charges	19,643	19,675
Total deferred charges	<u>254,683</u>	<u>244,258</u>
	<u>\$24,291,780</u>	<u>\$20,658,217</u>

See accompanying notes.

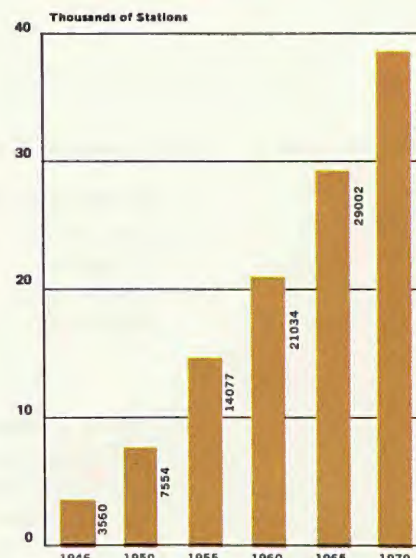
NET INCOME BEFORE INCOME TAXES



TOTAL CAPITAL ASSETS



STATIONS IN SERVICE



Stockholders' Equity and Liabilities

STOCKHOLDERS' EQUITY:

	1970	1969
Common stock, \$10.00 par value; 1,000,000 shares authorized, 472,611 shares issued at December 31, 1970 and 472,602 shares issued at December 31, 1969	\$ 4,726,110	\$ 4,726,020
Capital in excess of par value	1,133,326	1,133,216
Retained earnings	2,294,023	1,837,190
Total stockholders' equity	<u>8,153,459</u>	<u>7,696,426</u>

LONG-TERM DEBT DUE AFTER ONE YEAR (Note 3):

	1970	1969
First mortgage bonds payable	9,894,000	7,910,000
7% convertible subordinated debentures due November 1, 1979 ..	2,999,800	3,000,000
Total long-term debt	<u>12,893,800</u>	<u>10,910,000</u>

CURRENT LIABILITIES:

	1970	1969
Notes payable—bank	2,300,000	600,000
Accounts payable	312,079	809,202
Customer deposits	31,090	26,480
Advance billings and prepayments	146,847	128,464
Accrued excise and payroll taxes	66,467	26,585
Federal income tax (Note 4)	—	136,090
Accrued interest on long-term debt	99,595	94,721
Long-term debt due within one year	86,000	86,000
Total current liabilities	<u>3,042,078</u>	<u>1,907,542</u>

DEFERRED INCOME TAXES (Note 4)	49,563	—
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CONTRIBUTIONS IN AID OF CONSTRUCTION	152,880	144,249
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	<u>\$24,291,780</u>	<u>\$20,658,217</u>
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See accompanying notes.

Statement of Income

Years ended December 31, 1970 and 1969

	1970	1969
OPERATING REVENUES:		
Local service (Note 7)	\$2,774,636	\$2,443,625
Toll service	2,884,637	2,359,317
Miscellaneous	216,280	279,130
Less provision for uncollectible accounts	(23,750)	(15,000)
	<u>5,851,803</u>	<u>5,067,072</u>
OPERATING EXPENSES:		
Maintenance expense	784,442	639,314
Depreciation and amortization	1,099,984	978,417
Traffic expense	499,895	425,978
Commercial expense	354,253	316,191
General office salaries and expense	331,487	304,530
Other operating expense	310,787	301,495
	<u>3,380,848</u>	<u>2,965,925</u>
OPERATING TAXES:		
Payroll taxes	31,577	30,037
Real estate, personal property, etc.	331,435	291,648
	<u>363,012</u>	<u>321,685</u>
OPERATING INCOME	<u>2,107,943</u>	<u>1,779,462</u>
OTHER INCOME:		
Interest charged to construction	69,286	50,465
Miscellaneous	16,120	5,658
	<u>85,406</u>	<u>56,123</u>
OTHER DEDUCTIONS:		
Interest on funded debt	787,939	440,069
Other interest deduction	54,376	160,644
Amortization of expense on long-term debt	19,511	6,357
Miscellaneous	8,411	7,301
	<u>870,237</u>	<u>614,371</u>
INCOME BEFORE FEDERAL INCOME TAXES	<u>1,323,112</u>	<u>1,221,214</u>
PROVISION FOR INCOME TAXES (Note 4):		
Federal income—current	400,819	453,090
Federal income—deferred (due to accelerated depreciation)	49,563	—
	<u>450,382</u>	<u>453,090</u>
NET INCOME	<u>\$ 872,730</u>	<u>\$ 768,124</u>
Earnings per common share (Note 5)	\$1.85	\$1.63
Earnings per common share—assuming full dilution (Note 5)	\$1.61	\$1.58

See accompanying notes.

Statement of Capital in Excess of Par Value

Years ended December 31, 1970 and 1969

	1970	1969
Balance at beginning of year	\$1,133,216	\$1,133,216
Excess over par value due to conversion of \$200—7% convertible subordinated debentures to 9 shares of common stock	110	—
Balance at end of year	<u>\$1,133,326</u>	<u>\$1,133,216</u>

Statement of Retained Earnings

Years ended December 31, 1970 and 1969

	1970	1969
Balance at beginning of year	\$1,837,191	\$1,442,422
Net income	872,730	768,124
	<u>2,709,921</u>	<u>2,210,546</u>
Dividends:		
Common stock—88¢ per share (79¢ in 1969)	415,898	373,356
Balance at end of year	<u>\$2,294,023</u>	<u>\$1,837,190</u>

Statement of Source and Disposition of Working Capital

Years ended December 31, 1970 and 1969

	1970	1969
SOURCE:		
Net income	\$ 872,730	\$ 768,124
Depreciation	1,161,481	1,024,556
Deferred Federal income tax	49,563	—
Amortization of debt expense	19,511	6,357
Funds derived from operations	<u>2,103,285</u>	<u>1,799,037</u>
Sale of mortgage bonds, series L	2,000,000	500,000
Sale of 7% convertible subordinated debentures	—	3,000,000
Contributions in aid of construction	8,631	4,047
Salvage from retirement of plant, property, and equipment	334,381	286,516
Miscellaneous other	32	—
	<u>4,446,329</u>	<u>5,589,600</u>
DISPOSITION:		
Additions to plant, property and equipment	4,741,685	4,171,420
Dividends paid	415,898	373,355
Debt retired, mortgage bonds, series G and H	16,000	16,000
Increase in mortgage bonds payable currently	—	25,000
Cost of removal of plant, property and equipment	124,479	98,664
Addition to debt expense	29,968	150,716
Miscellaneous other	—	2,988
	<u>5,328,030</u>	<u>4,838,143</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u><u>(\$ 881,701)</u></u>	<u><u>\$ 751,457</u></u>

See accompanying notes.

Arthur Young & Company

CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Tidewater Telephone Company

We have examined the accompanying balance sheet of Tidewater Telephone Company at December 31, 1970, the related statements of income, retained earnings, capital in excess of par value, and the source and disposition of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the financial position of Tidewater Telephone Company at December 31, 1970, the results of its operations and source and disposition of its working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting for income taxes described in Note 4, with which we concur.

January 29, 1971

Arthur Young & Company



Entrance, Naval Weapons Laboratory, Dahlgren



Yeocomico Episcopal Church, Tucker Hill



Sabine Hall, Warsaw



Allen W. Haynie, Haynie Products, Reedville



Purse Boats, Haynie Products, Reedville



Menhaden Fishing Boat, Reedville

Notes to Financial Statements

1. Plant and Accumulated Depreciation:

Telephone plant is stated at original cost. The Company in its books provides for depreciation by the straight-line method, this amounted to \$1,161,481 and \$1,024,556 for the years 1970 and 1969 respectively. Such amounts were charged to expense except for a portion initially charged to clearing accounts and distributed to current maintenance and telephone plant accounts.

2. Unamortized Bond Issue Expense:

Bond issue expense is being amortized by annual charges to income over the periods of the bonds.

3. Long-term Debt:

First mortgage bonds:	Date of Maturity	December 31	
		1970	1969
Series D—3 $\frac{3}{8}$ %	1982	\$ 500,000	\$ 500,000
Series E—3 $\frac{3}{4}$ %	1982	600,000	600,000
Series F—5 $\frac{3}{4}$ %	1982	500,000	500,000
Series G—5 $\frac{1}{4}$ %	1983	540,000	546,000
Series H—5 $\frac{3}{4}$ %	1985	920,000	930,000
Series I—4 $\frac{7}{8}$ %	1992	950,000	950,000
Series J—4 $\frac{3}{4}$ %	1992	970,000	970,000
Series K—5 $\frac{7}{8}$ %	1997	2,500,000	2,500,000
Series L—8%	1999	2,500,000	500,000
Total		<u>\$9,980,000</u>	<u>\$7,996,000</u>
7% Convertible subordinated debentures	1979	<u>\$2,999,800</u>	<u>\$3,000,000</u>

Pursuant to indentures relating to the first mortgage bonds, the Company is required to make annual payments of \$86,000 applicable to bonds of Series G through L. The company may elect to substitute property additions equivalent to 166 $\frac{2}{3}$ % of such part of the payments as the Company elects not to pay, however, property additions must be substituted for Series L payments if property additions are substituted for the required payments on Series I, J, or K bonds.

Plant properties, with the exception of vehicles, are pledged to secure the mortgage bonds and, under the terms of the bond indenture, as amended, the Company is required to maintain net worth of at least \$4,000,000.

In January, 1970, \$200 of debentures were converted at the current conversion ratio, to nine shares of common stock.

4. Provision for Federal Income Taxes:

For Federal income tax purposes, the Company has claimed accelerated depreciation on qualified plant additions made after 1966 and tax expense has been reduced accordingly, except, that provision for deferred Federal income taxes was made in 1970 for the tax difference resulting from the additional depreciation on plant additions made after January 1, 1970. Aggregate additional depreciation claimed since 1966 resulting from use of the accelerated method amounts to approximately \$677,500 of which \$100,738 is applicable to 1970 additions. The investment tax credit was used to reduce Federal income taxes each year. These methods are in accordance with practices prescribed by the State Corporation Commission of Virginia and resulted in tax reductions (not deferred) as follows:

	1970	1969
Investment tax credit	\$ 73,076	\$ 74,749
Accelerated depreciation	<u>109,212</u>	<u>105,080</u>
	<u>\$182,288</u>	<u>\$179,829</u>

5. Earnings per Share:

Earnings per common share, assuming no dilution, are based on the average shares outstanding during the year. Earnings per common share, assuming full dilution, are based on average shares outstanding for the year, the assumption that all debentures were converted on November 1, 1969, date of the bonds, and taking into account the elimination of related interest expense net of applicable income taxes at current rates.

6. Retirement Plan:

The Company maintains a voluntary, non-contributory group annuity retirement plan. Cost of the plan amounted to approximately \$66,600 in 1970 and \$51,200 in 1969.

7. Rate Change:

The Company continued its program of service upgrading begun in 1969 and expects to complete this work in 1971. Rates are increased with the upgraded service.

8. Subsequent Events:

The Company plans to sell additional common stock and first mortgage bonds in 1971 and use the proceeds to pay its bank loans and finance new construction.



Bundick's Grain Elevator, Lottsburg

Directors

W. Ransdell Chilton
Lancaster, Va.
President
Bank of Lancaster

John Warren Cooke
Mathews, Va.
President
Tidewater Newspapers, Inc.

***James S. Day**
Warsaw, Va.
President
Tidewater Telephone Company

***James E. Galleher**
Richmond, Va.
President
Galleher & Company, Inc.

***James B. Martin**
Gloucester, Va.
Attorney

Julien J. Mason
Bowling Green, Va.
Attorney

***H. Marston Smith**
Warsaw, Va.
Attorney

* Members of the Executive Committee

Officers

James S. Day
President

Lloyd C. Pulley, Jr.
Vice-President

H. Marston Smith
Vice-President and
General Counsel

J. Albert Fergusson
Secretary and Treasurer

Raymond F. Sullivan, Jr.
Assistant Secretary and
Assistant Treasurer

Operating Organization

James B. Lowery, Jr.
General Plant Manager

Hugh O. Noell
Bowling Green
Division Manager

J. Murwin Omohundro
Warsaw
Division Manager

David W. Smith
Kilmarnock
Division Manager

William L. Smith
Gloucester
Division Manager

Thomas W. Hudson
Equipment Supervisor

Ned M. Woolsey
Engineer

William R. Brown
Construction Supervisor

Carrington R. Mothershead
Outside Plant
Maintenance Supervisor

C. Cordell Sanford
General Traffic Manager

Mrs. Mary Jane Headley
Chief Operator

Mrs. Edna M. Oliff
Traffic Supervisor

James L. Hill
General Commercial Manager

Mrs. Dorothy T. Douglas
General Commercial Supervisor

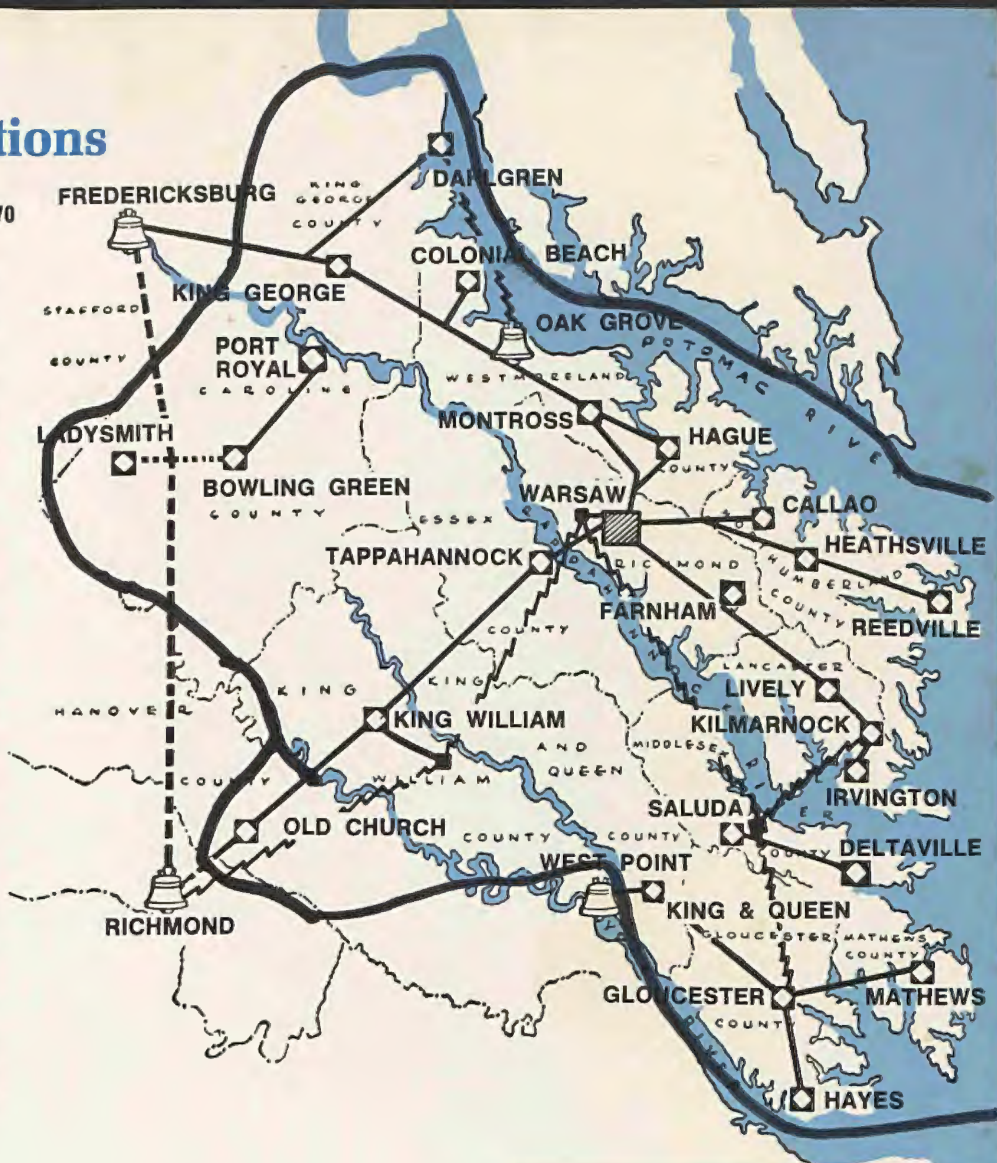


Tidewater Telephone Company • Warsaw, Virginia

Stock Transfer Agent and Registrar • UNITED VIRGINIA BANK/STATE PLANTERS • 900 E. Main St., Richmond, Va. 23214

Company Owned Stations in Service AS OF DECEMBER 31, 1970

BOWLING GREEN	2,088
CALLAO	1,168
COLONIAL BEACH	1,715
DAHLGREN	2,910
DELTAVILLE	885
FARNHAM	525
GLOUCESTER	2,582
HAGUE	1,370
HAYES	2,469
HEATHSVILLE	1,024
IRVINGTON	1,002
KILMARNOCK	2,518
KING GEORGE	1,651
KING AND QUEEN	818
KING WILLIAM	1,375
LADYSMITH	978
LIVELY	1,117
MATHEWS	3,020
MONTROSS	1,138
OLD CHURCH	646
PORT ROYAL	251
REEDVILLE	1,247
SALUDA	1,777
TAPPAHANNOCK	2,585
WARSAW	1,598
TOTAL	38,457



LEGEND

[TRANSMISSION CIRCUITS]

- Toll Exchange Center and General Offices
- Automatic Exchange in Operation
- Toll Connections with Bell System
- Toll Microwave Connections Company Owned
- Toll Line Connections Company Owned
- Toll Line Connections Bell Owned

Photo Credits: Cover—Forrest Patton; Page 2—Capt. John D. Deihl; Page 3—Forrest Patton; Page 4—Anne Ferguson; Page 5—Robert Lunsford, Forrest Patton, The Free-Lance Star; Page 10—United States Navy, Forrest Patton, Capt. John D. Deihl; Page 11—Rod Coggin; Back Cover—Forrest Patton.



Colonial Grist Mill, Stratford Hall Plantation

Please observe the following highway laws and safety suggestions:

SPEED LIMITS

RURAL AREAS

Passenger Cars and Buses; Pickup or Panel Trucks not exceeding 5000 lbs. gross weight; Utility, Camping and Boat Trailers towed by passenger vehicles and not exceeding 2500 lbs. gross weight; and Motorcycles.

Interstate Routes—**65 MPH or as posted**
All Other Routes—**55 MPH or as posted**

Trucks exceeding gross weight of 5000 lbs.; Towed Motor Vehicles; Towed Trailers (Excluding Utility, Camping and Boat Trailers weighing less than 2500 lbs. gross weight and towed by a passenger vehicle)

Interstate Routes—**50 MPH or as posted**
All Other Routes—**45 MPH or as posted**

Overweight and Over-dimensional Equipment and Trucks

Interstate & Other Routes—**45 MPH or as permit indicates**

School Buses—**45 MPH or as permit indicates**

Interstate Routes—**45 MPH** All Other Routes—**35 MPH**

School Zones

All Vehicles—**25 MPH or as posted**

URBAN AREAS

Business, Residential and School Zones

All Vehicles—**25 MPH or as posted**

Interstate Routes

Same as Rural Areas unless otherwise posted.

SPEED CHECKED BY RADAR
ROADS PATROLLED WITH MARKED AND UNMARKED CARS

Are you using seat belts? They can save your life.

Do not drive while under the influence of intoxicants or drugs.

Obey all signs, pavement markings and signals. Drive at a speed that is reasonable and prudent with regard to weather, light conditions, traffic and condition of road. Allow ample time for trips and stop frequently for rest periods.

When approaching from any direction (on undivided or divided roads) a school bus taking on or discharging school children, STOP and remain stopped until all school children are clear of the highway.

Keep to the right of centerline, except when passing. Do not cross solid barrier line when in your lane. Only cross broken line when the way is clear and you can return to your lane prior to entering a NO PASSING zone.

Do not drive too close to vehicle in front. Allow sufficient distance to stop in case of an emergency.

Use your signals. Let the other fellow know what you are going to do.

Dim your lights when meeting or following another vehicle and do not overdrive the reach of your headlights.

Do not back onto or park on the main traveled portion of the highway.

Keep your vehicle in safe operating condition—especially tires, lights, signals, brakes and steering mechanism.

Parking, stopping and driving on shoulders of INTERSTATE ROUTES are prohibited except for emergencies.



VIRGINIA STATE SEAL
REVERSE



Street Scene-Colonial Williamsburg



Monticello, Jefferson's Home, at Charlottesville.



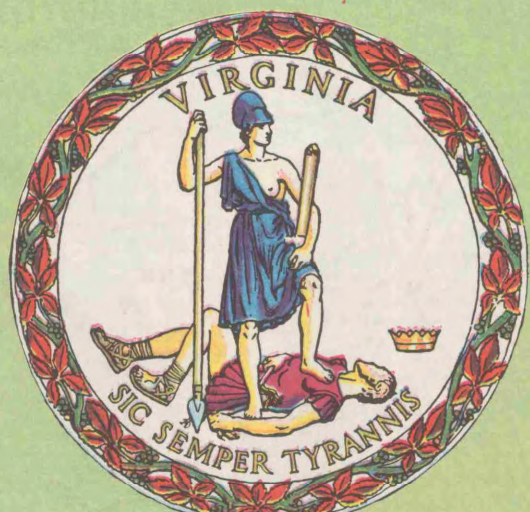
State Capitol, Richmond, Home of the Oldest Continuous Legislative Body in America.



Mount Vernon, Washington's Home, South of Alexandria.



Stratford Hall, Lee's Birthplace, East of Fredericksburg.



VIRGINIA STATE SEAL
OVERSE



Pinnacle Overlook, Cumberland Gap.

COMMONWEALTH OF VIRGINIA

Some of the Old Dominion's better known Historic Shrines, Scenic Attractions, and Natural Wonders.



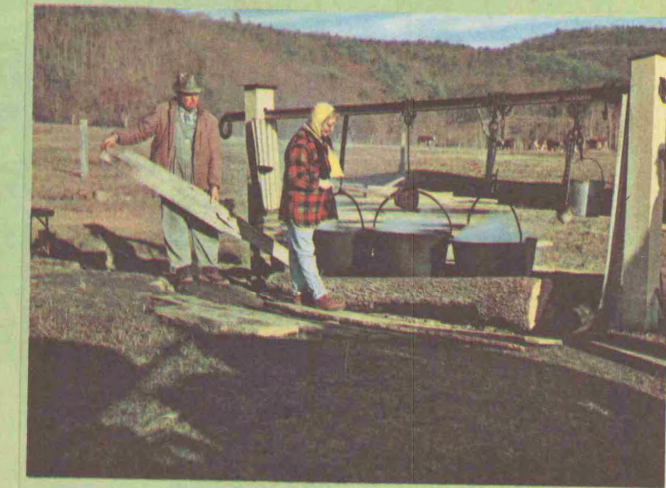
General Stonewall Jackson's Headquarters at Winchester.



The Mariners Museum, Newport News.



Apple Blossom Festival, Winchester.



Maple Syrup Time in Highland County.



Sky Line Drive, Story Mountain in distance



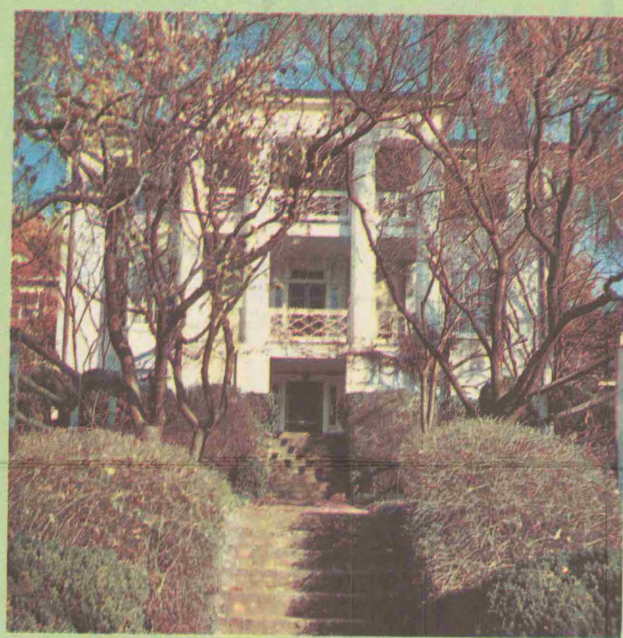
One of Virginia's Beautiful Caverns.



Humpback Bridge, 3 Miles West of Covington on U.S. Rt. 60.



James Monroe Law Office and Museum Fredericksburg.



Woodrow Wilson's Birthplace at Staunton.

Breaks Interstate Park

Democrat Coal Mine

Pocahontas

Old Fort Witten

Tasewell

Wytheville

Fort Chiswell

Old Stone Gap

Southwest Virginia

White Top Mountain

Valley Forge

Stuart

Ponchartraine

Stuart

Stuart

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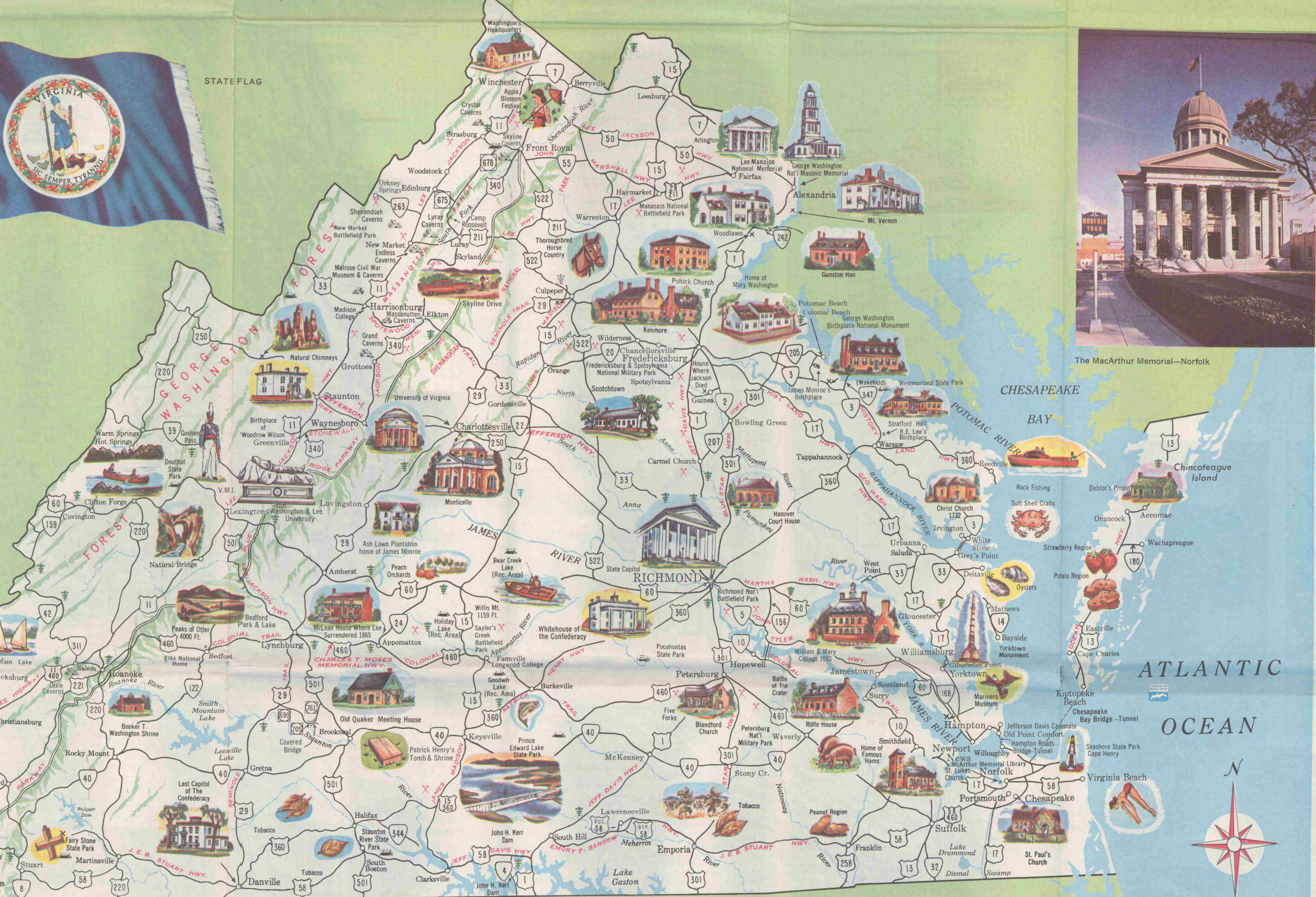


STATE FLAG

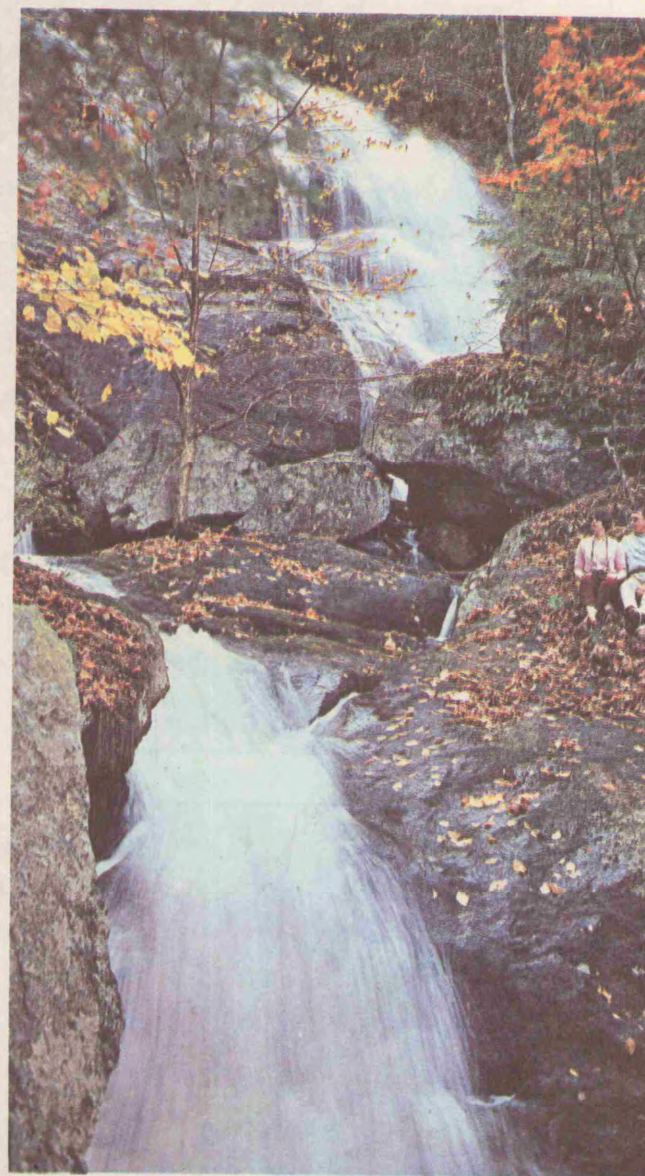
- LEGEND**
- X BATTLEFIELDS
 - FOREST CAMPS, CABINS OR CAMPING
 - WAYSIDES
 - CAVERNS

CARDINAL,
STATE BIRD

DOGWOOD,
STATE FLOWER



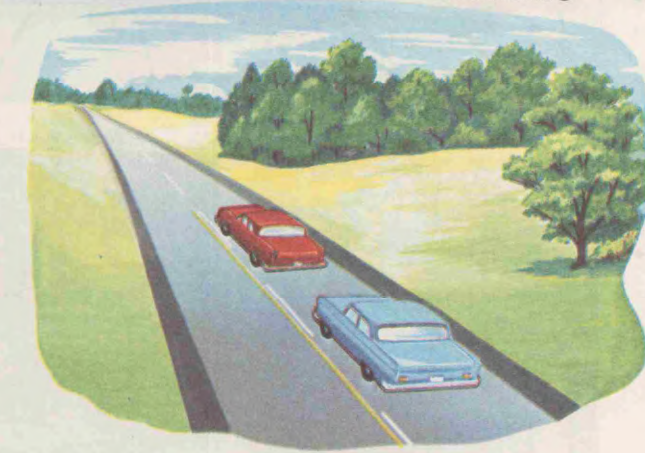
VIRGINIA



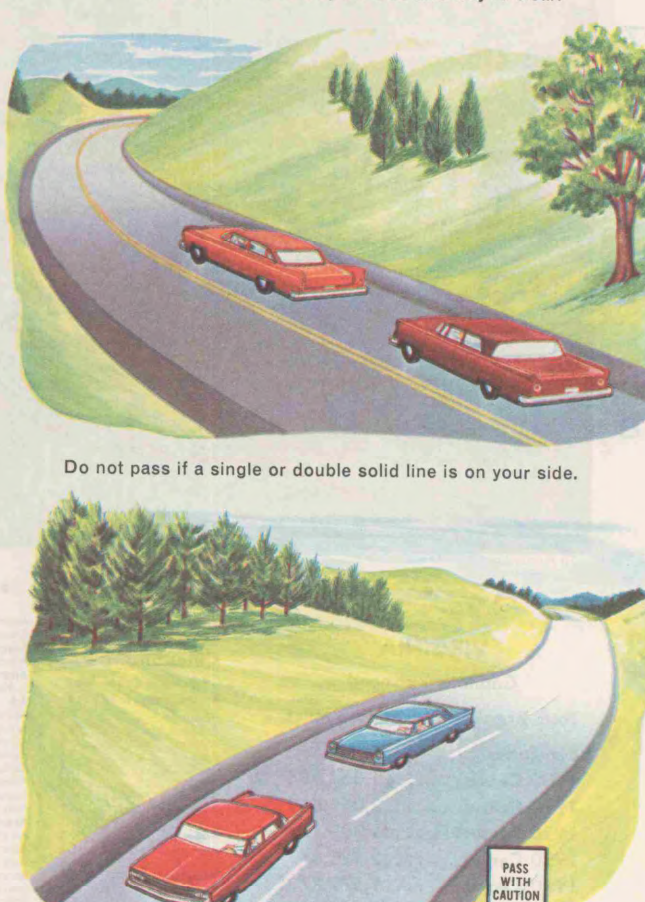
Crabtree Falls-Nelson Co.

OFFICIAL STATE
HIGHWAY MAP
DEPARTMENT OF HIGHWAYS
1968

VIRGINIA PAVEMENT MARKING

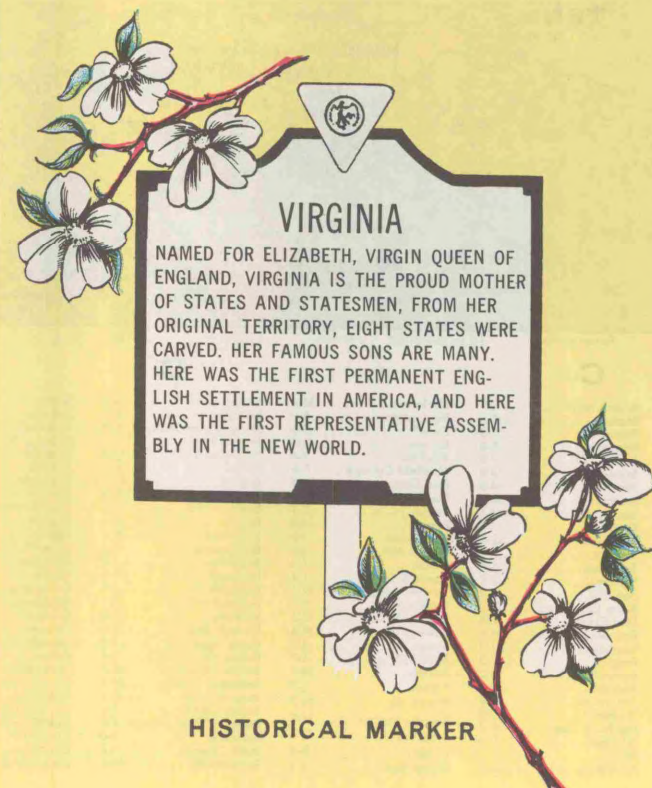


Pass only if broken line is on your side and way is clear.



Do not pass if a single or double solid line is on your side.

In mountainous areas pass only if the way is clear.

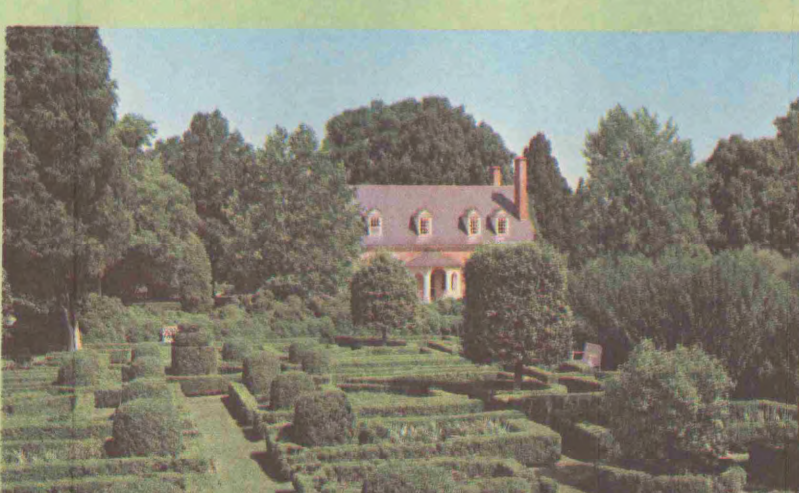


NAMED FOR ELIZABETH, VIRGIN QUEEN OF ENGLAND, VIRGINIA IS THE PROUD MOTHER OF STATES AND STATESMEN. FROM HER ORIGINAL TERRITORY, EIGHT STATES WERE CARVED. HER FAMOUS SONS ARE MANY. HERE WAS THE FIRST PERMANENT ENGLISH SETTLEMENT IN AMERICA, AND HERE WAS THE FIRST REPRESENTATIVE ASSEMBLY IN THE NEW WORLD.

HISTORICAL MARKER



Chesapeake Bay Bridge-Tunnel U.S. Route 13.



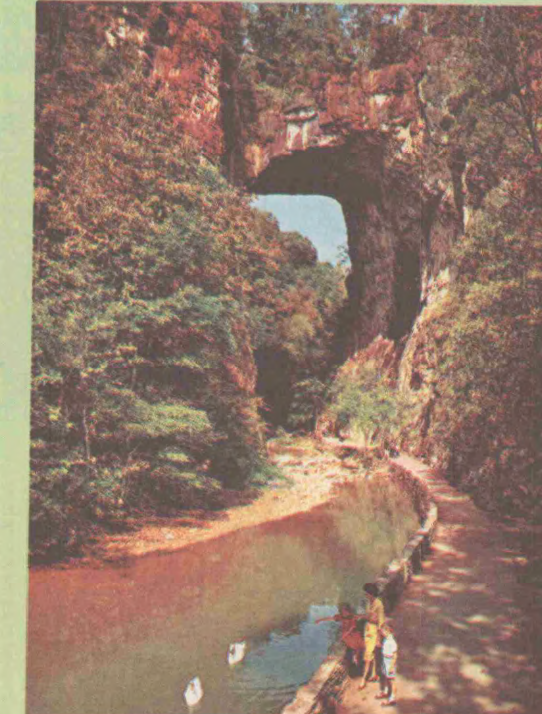
Gunston Hall—Home of George Mason, author of the Bill of Rights



Berkeley—Built in 1726. The Birthplace of Benjamin Franklin. Used by Gen. McClellan as Headquarters for the Union Troops, 1862. "Taps" Composed Here in 1862.



A Typical Scene of Virginia's Beaches.



Natural Bridge, on U.S. Route 11, South of Lexington.



Virginia Museum of Fine Arts, Richmond.

w = Drinking Water Available. s = Sanitary Facilities Available.

