

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
 SCHEDULE A-1
 Calculation of Monthly Line Charge

LINE (A)	DESCRIPTION (B)	Amount (C)
1	Projection Period Revenues (Over)/Under Expenses At Present Line Charge, As Adjusted (a)	4,894,696
2	Prior Calendar Year Actual Revenues (Over)/Under Expenses (b)	1,313,723
3	Adjustment to Projected Cash Balance (c)	<u>(463,600)</u>
4	Subtotal	<u>5,744,819</u>
5	End-of-Period Projected Subscriber Lines	<u>7,606,094</u>
6	Annual Revenue Adjustment per Subscriber Line (Line 4 Divided by Line 5 - Rounded to 4 Decimal Places)	<u>0.7553</u>
7	Increase (Decrease) in Monthly Line Charge for Projection Period (Line 6 Divided by 12 Months--Rounded to 4 Decimal Places)	<u>0.0629</u>
8	Add: Present Line Charge	<u>0.03</u>
9	Subtotal (Line 7 Plus Line 8)	0.0929
10	Proposed Monthly Line Charge (Line 9 Rounded to Next Higher Cent)	<u><u>0.10</u></u>

- (a) Amount from line 17, Column E, Schedule A-3
- (b) Amount from line 17, Column D, Schedule A-4
- (c) Amount from line 6 or 11, Column D, Schedule A-5

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
 SCHEDULE A-2
 Comparison of Present and Proposed Line Charges

LINE (A)	DESCRIPTION (B)	Projection Period 2002 As Adjusted At Present Line Charge (C)	Projection Period 2002 As Adjusted At Proposed Line Charge (D)	Difference (Column D- Column C) (E)	Percentage Change (Column E/ Column C) (F)
1	Number of Subscriber Lines Excluding Centrex	7,523,631	7,523,631	0	0.0%
2	Number of Centrex Lines	824,632	824,632	0	0.0%
3	Subscriber Line Charge Excluding Centrex	2,708,316	9,027,737	6,319,421	233.3%
4	Centrex Line Charge	29,688	98,949	69,261	233.3%
5	Subtotal	2,738,004	9,126,686	6,388,682	233.3%
6	Investment Income	51,117	130,976	79,859	156.2%
7	Telecommunications Relay Service	61,103	61,103	0	0.0%
8	Other	7,176	7,176	0	0.0%
9	Total Revenues	2,857,400	9,325,941	6,468,541	226.4%
10	Expenses	7,752,096	7,752,096	0	0.0%
11	Revenues Over/(Under) Expenses	(4,894,696)	1,573,845		

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

SCHEDULE A-3

Projection Period Statement of Revenues and Expenses at Present Line Charge, As Adjusted

LINE (A)	DESCRIPTION (B)	Projection Period Ending Dec. 31, 2002 (C)	Adjustment to Annualize December Levels (D)	Total (E)
1	Revenues:			
2	Subscriber Line Charge	2,728,489	9,515	2,738,004
3	Investment Income	52,334	(1,217)	51,117
4	Telecommunications Relay Service	61,103	0	61,103
5	Other Income	<u>7,176</u>	<u>0</u>	<u>7,176</u>
6	TOTAL REVENUES	<u>2,849,102</u>	<u>8,298</u>	<u>2,857,400</u>
7	Expenses:			
8	Telecommunications Relay Service	6,098,467	52,384	6,150,851
9	Administration	683,411	5,803	689,214
10	Equipment Distribution and Maintenance	302,761	0	302,761
11	Legal	110,000	0	110,000
12	Accounting and Consulting	80,750	0	80,750
13	Depreciation	233,494	0	233,494
14	(Gain)/Loss on Property and Equipment Retirements	0	0	0
15	Other Expenses	<u>185,026</u>	<u>0</u>	<u>185,026</u>
16	TOTAL EXPENSES	<u>7,693,909</u>	<u>58,187</u>	<u>7,752,096</u>
17	REVENUE OVER/(UNDER) EXPENSES	<u>(4,844,807)</u>	<u>(49,889)</u>	<u>(4,894,696)</u>

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
 SCHEDULE A-4
 Prior Calendar Year Actual Revenues Over/(Under) Expenses

LINE (A)	DESCRIPTION (B)	Year Ended Dec. 31, 2001 (C)	Amount (D)
1	Revenues:		
2	Subscriber Line Charge	5,490,510	
3	Investment Income	249,391	
4	Telecommunications Relay Service	105,618	
5	Other Income	<u>26,150</u>	
6	TOTAL REVENUES		<u>5,871,669</u>
7	Expenses:		
8	Telecommunications Relay Service	5,896,637	
9	Administration	548,353	
10	Equipment Distribution and Maintenance	166,058	
11	Legal	44,974	
12	Accounting and Consulting	61,328	
13	Depreciation	335,428	
14	(Gain)/Loss on Property and Equipment Retirements	3,075	
15	Other Expenses	<u>129,539</u>	
16	TOTAL EXPENSES		<u>7,185,392</u>
17	REVENUE OVER/(UNDER) EXPENSES		<u><u>(1,313,723)</u></u>

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
 SCHEDULE A-5
 Schedule of Adjustment to Projected Cash Balance

LINE (A)	DESCRIPTION (B)	Amount (C)	Amount (D)
1	Projected Cash Balance at Proposed Line Charge Before Cash Adjustment (a)		<u>2,483,004</u>
2	One-Eighth of Projected Expenses, as Adjusted (Excluding Depreciation and Loss on Property & Equipment Retirements)	939,825	
3	Planned Capital Expenditures During Projection Period (b)	<u>139,753</u>	
4	Line 2 plus Line 3	<u>1,079,578</u>	
5	If Line 4 is greater than Line 1, enter amount from Line 4 here. If Line 4 is less than Line 1, go to Line 7.		<u>0</u>
6	Adjustment to Cash Balance (Line 5 minus Line 1) *If there is an entry on Line 5, stop here and enter amount from Line 6 on Line 3 of Schedule A-1.		<u>0</u>
7	One-Fourth of Projected Expenses, As Adjusted (Excluding Depreciation and Loss on Property & Equipment Retirements)	1,879,651	
8	Amount from Line 3	<u>139,753</u>	
9	Line 7 plus Line 8	<u>2,019,404</u>	
10	If Line 9 is less than Line 1, enter amount from Line 9 here. If Line 9 is greater than Line 1, there is no adjustment to cash balance.		<u>2,019,404</u>
11	Adjustment to Cash Balance (Line 10 minus Line 1) *If there is an entry on Line 10, enter amount from Line 11 on Line 3 of Schedule A-1.		<u>(463,600)</u>
(a)	Amount from Line 7, Column D, Schedule A-7.		
(b)	Amount from Line 25, Schedule A-6.		

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
 SCHEDULE A-6
 Supporting Schedule of Planned Capital Expenditures During Projection Period

1	Amount of property and equipment purchased in prior calendar years to be paid in projection period:		
2	TTY Equipment	0	
3	Telebraille Equipment	0	
4	LVD Equipment	0	
5	Computer and Other Equipment	0	
6	Furniture and Fixtures	0	
7	VCO Equipment	<u>0</u>	
8	Subtotal		<u>0</u>
9	Add: Amount of projected property and equipment purchases:		
10	TTY Equipment	0	
11	Telebraille Equipment	20,400	
12	LVD Equipment	110,950	
13	Computer Equipment	6,100	
14	Furniture and Fixtures	0	
15	Computer Software	<u>2,303</u>	
16	Subtotal (a)		<u>139,753</u>
17	Less: Amount of projected property and equipment purchases to be paid in years following projection period:		
18	TTY Equipment		
19	Telebraille Equipment	0	
20	LVD Equipment	0	
21	Computer and Other Equipment	0	
22	Furniture and Fixtures	0	
23	VCO Equipment	<u>0</u>	
24	Subtotal		<u>0</u>
25	Total Planned Capital Expenditures During Projection Period		<u><u>139,753</u></u>

(a) Amount from Line 8, Column D, Schedule A-9

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
 SCHEDULE A-7
 Schedule of Projected Increase to Cash Under Proposed Line Charge Before Cash Adjustment

LINE (A)	DESCRIPTION (B)	Amount (C)	Amount (D)
1	Projected Cash Balance at Present Rates, as Adjusted		(621,206)
2	Projected Increase to Cash Balance at Proposed Line Charge Before Cash Adjustment Calculation		
3	Projection Period Revenues (Over)/Under Expenses at Present Line Charge, as Adjusted (a)	4,894,696	
4	Prior Period Actual Revenues (Over)/Under Expenses (b)	<u>1,313,723</u>	
5	Subtotal (Line 3 plus Line 4)	<u>6,208,419</u>	
6	Projected Increase/(Decrease) to Cash Under Proposed Line Charge Before Cash Adjustment (One-Half of Line 5)		<u>3,104,210</u>
7	Projected Cash Balance at Proposed Line Charge Before Cash Adjustment (Line 1 plus Line 6)		<u><u>2,483,004</u></u>
(a)	Amount from Line 17, Column E, Schedule A-3		
(b)	Amount from Line 17, Column D, Schedule A-4		

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
 SCHEDULE A-8
 Call Volumes and Subscriber Lines

LINE (A)	Month (B)	Telecommunications Relay Service Call Volume			Subscriber Lines		
		Actual Prior Cal. Yr. (C)	Proj. Period (D)	Diff. Col. D-Col. C (E)	Actual Prior Cal. Yr. (F)	Proj. Period (G)	Diff. Col. G-Col. F (H)
1	Jan.	114,358	115,090	732	7,960,785		
2	Feb.	105,338	107,616	2,278	7,832,874		
3	Mar.	116,928	119,457	2,529	7,785,316		
4	Apr.	113,024	115,468	2,444	7,755,733		
5	May	118,057	120,610	2,553	7,860,602		
6	June	115,377	117,872	2,495	7,847,572		
7	July	115,721	118,223	2,502	7,748,862		
8	Aug.	116,339	118,855	2,516	7,691,751		
9	Sept.	109,102	111,461	2,359	7,708,375		
10	Oct.	116,364	118,880	2,516	7,638,489		
11	Nov.	108,844	111,198	2,354	7,591,439		
12	Dec.	<u>109,508</u>	<u>111,876</u>	<u>2,368</u>	<u>7,547,031</u>	<u>7,606,094</u>	<u>59,063</u>
13	Total	<u>1,358,960</u>	<u>1,386,606</u>	<u>27,646</u>			

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
 SCHEDULE A-9
 Depreciation Schedule

LINE (A)	DESCRIPTION (B)	Actual Prior Cal. Yr. 12/31/2001 Prop. & Equipment, At Cost (C)	Proj. Period 2002 Additions (D)	Proj. Period 2002 Retirements (E)	Proj. Period 12/31/2002 Prop. & Equipment At Cost (F)	Average Useful Life (G)	Proj. Period Depreciation Expense (H)
1	Computer and Other Equipment	42,342	6,100	(6,506)	41,936	3	9,029
2	Computer Software	7,878	2,303	0	10,181	3	1,081
3	Furniture and Fixtures	51,994	0	0	51,994	7	5,925
4	TTY Equipment	3,087,900	0	(228,450)	2,859,450	5	198,836
5	Telebraille Equipment	147,631	20,400	(10,534)	157,497	5	9,528
6	Large Visual Display Equipment	34,161	110,950	(28,719)	116,392	5	11,095
7	Other	0	0	0	0	0	0
8	Total	<u>3,371,906</u>	<u>139,753</u>	<u>(274,209)</u>	<u>3,237,450</u>		<u>233,494</u>
9	<u>Reconciliation of Accumulated Depreciation</u>						
10		12/31/2001	Acc/Dep associated	2002	12/31/2002		
11		Accumulated	with 2002	Depreciation	Accumulated		
12		Depreciation	Retirements	Expense	Depreciation		
13		<u>3,046,962</u>	<u>(274,209)</u>	<u>233,494</u>	<u>3,006,247</u>		

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
 SCHEDULE A-10
 Projected Payroll Expenses, As Adjusted

LINE (A)	DESCRIPTION (B)	Year Ending Dec. 31, 2002 (C)	Amount (D)
1	Executive Wages	91,975	
2	Other Management Wages	206,340	
3	Non-Management Wages	<u>1,000</u>	
4	Sub-Total		<u>299,315</u>
5	Executive Benefits	11,202	
6	Other Management Benefits	50,700	
7	Non-Management Benefits	<u>0</u>	
8	Subtotal		<u>61,902</u>
9	Total Payroll Expenses		<u><u>361,217</u></u>

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
SCHEDULE A-11
Projected Line Charge Filing Expenses

LINE (A)	DESCRIPTION (B)	Year Ending Dec. 31, 2002 (C)
1	Legal	5,000
2	Accounting	41,000
3	Other	0
4	Other	<u>0</u>
5	Total	<u><u>46,000</u></u>

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
SCHEDULE A-12
Comparative Actual and Projected Balance Sheets, At Proposed Line Charge, As Adjusted

LINE	DESCRIPTION	Actual Prior Calendar Year Ended Dec. 31, 2001 (C)	Projected Dec. 31, 2002 (D)
(A)	(B)	(C)	(D)
1	ASSETS		
2	Current Assets:		
3	Cash, Cash Equivalents and Other Cash Investments	3,580,262	5,200,057
4	Accounts Receivable	815,688	925,081
5	Interest Receivable	0	0
6	Prepaid Expenses	20,331	20,656
7	Other	<u>0</u>	<u>0</u>
8	Total Current Assets	<u>4,416,281</u>	<u>6,145,794</u>
9	Property and Equipment:		
10	Computer Equipment and Software	50,220	52,117
11	Furniture and Fixtures	51,994	51,994
12	TTY Equipment	3,087,900	2,859,450
13	Telebraille Equipment	147,631	157,497
14	Large Visual Display Equipment	34,161	116,392
15	Less: Accumulated Depreciation	<u>(3,046,962)</u>	<u>(3,006,247)</u>
16	Property and Equipment, Net	324,944	231,203
17	Other	<u>0</u>	<u>0</u>
18	Total Assets	<u>4,741,225</u>	<u>6,376,997</u>
19	LIABILITIES AND FUND BALANCE		
20	Current Liabilities:		
21	Accounts Payable		
22	Telecommunications Relay Service	460,342	511,546
23	Other	<u>35,604</u>	<u>46,327</u>
24	Total Current Liabilities	<u>495,946</u>	<u>557,873</u>
25	Fund Balance:		
26	Beginning Balance	5,559,002	4,245,279
27	Revenues Over/(Under) Expenses	<u>(1,313,723)</u>	<u>1,573,845</u>
28	Ending Balance	<u>4,245,279</u>	<u>5,819,124</u>
29	Total Liabilities and Fund Balance	<u>4,741,225</u>	<u>6,376,997</u>

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

SCHEDULE A-13

Comparative Actual and Projected Statements of Revenues and Expenses at Proposed Line Charge, As Adjusted

LINE (A)	DESCRIPTION (B)	Actual Prior Calendar Year Dec. 31, 2001 (C)	Projected Dec. 31, 2002 (D)
1	Revenues:		
2	Subscriber Line Charge	5,490,510	9,126,686
3	Investment Income	249,391	130,976
4	Telecommunications Relay Service	105,618	61,103
5	Other Income	<u>26,150</u>	<u>7,176</u>
6	TOTAL REVENUES	<u>5,871,669</u>	<u>9,325,941</u>
7	Expenses:		
8	Telecommunications Relay Service	5,896,637	6,150,851
9	Administration	548,353	689,214
10	Equipment Distribution and Maintenance	166,058	302,761
11	Legal	44,974	110,000
12	Accounting and Consulting	61,328	80,750
13	Depreciation	335,428	233,494
14	(Gain)/Loss on Property and Equipment Retirements	3,075	0
15	Other Expenses	<u>129,539</u>	<u>185,026</u>
16	TOTAL EXPENSES	<u>7,185,392</u>	<u>7,752,096</u>
17	REVENUES OVER/ (UNDER) EXPENSES	<u>(1,313,723)</u>	<u>1,573,845</u>



Illinois Telecommunications Access Corporation

Financial Statements
As of December 31, 2001 and 2000
Together With Auditors' Report



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Illinois Telecommunications Access Corporation:

We have audited the accompanying balance sheets of Illinois Telecommunications Access Corporation (an Illinois not-for-profit corporation) (the "Corporation") as of December 31, 2001 and 2000, and the related statements of revenues and expenses and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Illinois Telecommunications Access Corporation as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Chicago, Illinois
February 19, 2002

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

BALANCE SHEETS

As of December 31, 2001 and 2000

ASSETS	2001	2000
CURRENT ASSETS:		
Cash and cash equivalents	\$3,580,262	\$4,079,224
Temporary investments	0	1,000,000
Accounts receivable	815,688	870,075
Interest receivable	0	29,562
Prepaid expenses	20,331	14,705
Total current assets	4,416,281	5,993,566
PROPERTY AND EQUIPMENT:		
TTY equipment	3,087,900	3,174,474
Telebraille equipment	147,631	164,364
LVD equipment	34,161	34,716
Computer equipment and software	50,220	46,278
Furniture and fixtures	51,994	49,044
	3,371,906	3,468,876
Less- Accumulated depreciation	(3,046,962)	(2,820,115)
Property and equipment, net	324,944	648,761
OTHER ASSETS	0	21,279
Total assets	\$4,741,225	\$6,663,606
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES:		
Accounts payable-		
Telecommunications relay service	\$460,342	\$ 460,098
Other	35,604	644,506
Total current liabilities	495,946	1,104,604
FUND BALANCE:		
Beginning fund balance	5,559,002	3,994,529
Revenues over/(under) expenses	(1,313,723)	1,564,473
Ending fund balance	4,245,279	5,559,002
Total liabilities and fund balance	\$4,741,225	\$6,663,606

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

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

STATEMENTS OF REVENUES AND EXPENSES

For the Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
REVENUES:		
Subscriber line charge	\$5,490,510	\$7,713,221
Investment income	249,391	200,403
Telecommunications relay service	105,618	143,147
Other income	26,150	5,851
Total revenues	<u>5,871,669</u>	<u>8,062,622</u>
EXPENSES:		
Telecommunications relay service	5,896,637	5,213,159
Administration	548,353	500,058
Equipment distribution and maintenance	166,058	164,799
Legal	44,974	52,194
Depreciation	335,428	411,570
Accounting and consulting	61,328	100,937
Loss on property and equipment retirements	3,075	6,712
Other	129,539	48,720
Total expenses	<u>7,185,392</u>	<u>6,498,149</u>
REVENUES OVER (UNDER) EXPENSES	<u>\$(1,313,723)</u>	<u>\$1,564,473</u>

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

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Revenues over (under) expenses	<u>\$(1,313,723)</u>	<u>\$1,564,473</u>
Adjustments to reconcile revenues over (under) expenses to net cash provided by (used in) operating activities-		
Loss on property and equipment retirements	3,075	6,712
Depreciation and amortization	335,428	411,570
Net effect on cash flows of changes in-		
Accounts receivable	54,387	(405,671)
Interest receivable	29,562	(29,562)
Prepaid expense	(5,626)	(10,505)
Other assets	21,279	(21,279)
Total accounts payable	(608,658)	83,432
Total adjustments	<u>(170,553)</u>	<u>34,697</u>
Net cash provided by (used in) operating activities	<u>(1,484,276)</u>	<u>1,599,170</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(14,686)	(7,969)
Maturities of temporary investments	3,500,000	0
Purchase of temporary investments	<u>(2,500,000)</u>	<u>(1,000,000)</u>
Net cash provided by (used in) investing activities	<u>985,314</u>	<u>(1,007,969)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(498,962)	591,201
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,079,224</u>	<u>3,488,023</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$3,580,262</u>	<u>\$4,079,224</u>

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

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

Illinois Telecommunications Access Corporation ("ITAC") is an Illinois not-for-profit corporation established by the Illinois local exchange carriers ("LECs") in accordance with the approval of the Illinois Commerce Commission ("ICC") in Docket No. 85-0502. ITAC became operational in March, 1988, and its membership consists of all Illinois LECs. The purpose of ITAC is to distribute, at no charge, to qualified deaf, hard of hearing and voice-disabled Illinois residents, teletypewriters ("TTYs") and telebraille devices for persons who are deaf-blind and voice-disabled-blind; and to provide telecommunications relay service whereby a hearing- or voice-disabled person with a TTY can communicate with a person who uses a standard telephone.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subscriber Line Charge

In accordance with Section 13-703(c) of the Illinois Public Utilities Act (ILCS 5/18-703), and as ordered by the ICC, each facilities-based LEC is required to collect a monthly subscriber line charge to fund ITAC's operations. ITAC receives the subscriber line charge remittances from all member telephone companies on a monthly basis. Pursuant to a May 5, 1999, Order of the ICC, in Docket 99-0182, the monthly subscriber line charge was decreased from 8¢ to 6¢ per access line and from 0.8¢ to 0.6¢ per centrex line. A May 10, 2000, Order of the ICC, in Docket 00-0258, increased the monthly subscriber line charge to 10¢ per access line and 1.0¢ per centrex line. A May 9, 2001, Order of the ICC, in Docket 01-0300, decreased the monthly subscriber line charge to 3¢ per access line and 0.3¢ per centrex line.

Property and Equipment

In accordance with an ICC order, ITAC capitalizes the cost of all TTYs, Large Visual Displays ("LVDs") and telebraille devices and depreciates such equipment on a straight-line basis (utilizing a half-year convention) over a five-year useful life. The cost of computer equipment and software and furniture and fixtures is also capitalized and depreciated on a straight-line basis (utilizing a half-year convention) over three and seven years, respectively.

Equipment Distribution and Maintenance Expense

ITAC manages distribution services through 18 regional centers located throughout Illinois. ITAC also has an agreement with CapiTel Communications to provide ITAC with TTY maintenance services. Payments made by ITAC for distribution, training and maintenance services associated with its TTYs are charged to equipment distribution and maintenance expense as incurred. As of December 31, 2001, 7,452 TTYs had been distributed by ITAC.

Pursuant to a Telebraille Device Training and Service Agreement dated March 18, 1991, as amended, Chicago Lighthouse for the Blind, an Illinois not-for-profit corporation, provides

telebraille distribution and training services for ITAC. Payments made annually are charged to distribution expense as incurred.

Retirement Benefits

ITAC participates in a 401(k) defined contribution benefit plan at a contribution rate of 6%. The amount charged to 401(k) expense in 2001 and 2000 was \$16,653 and \$14,759, respectively.

Cash and Cash Equivalents and Temporary Investments

Under an agreement with Illinois National Bank ("INB"), INB invests cash in excess of ITAC's daily operating requirements into overnight repurchase commitments on behalf of ITAC. It is ITAC's policy to invest in investment grade securities such as U.S. Government and Agency Notes, Municipal Bonds (rated higher than A) or Commercial Paper (rated higher than A). At December 31, 2001 and 2000, the repurchase commitments are secured by Federal Home Loans and U.S. Treasury Notes. The interest rate earned by ITAC on these investments is determined by INB and is based upon market conditions. Based on the overnight maturities of these investments, they have been deemed to be cash equivalents for purposes of the statement of cash flows.

Those investments with original maturities of more than three months to 12 months are classified as temporary investments. As of December 31, 2000, ITAC had \$1,000,000 invested in a six-month certificate of deposit, earning 6% interest with a maturity date of January 14, 2001. During 2001, ITAC had \$2,500,000 invested in an eleven-month certificate of deposit, earning 6% interest that matured on December 10, 2001. As of December 31, 2001, ITAC held no certificates of deposit.

Cash and cash equivalents and temporary investments are stated at cost, which approximates their fair value, because of their short-term maturity.

Use of Estimates

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

2. TELECOMMUNICATIONS RELAY SERVICE

Under the Illinois Telecommunications Relay Service Agreement ("TRS Agreement") approved by the ICC in December, 1994, AT&T Corporation ("AT&T") provided telecommunications relay services to ITAC at a specified cost per minute of use. The TRS Agreement terminated in February, 2000.

On August 31, 1999, ITAC entered into a new telecommunications relay services agreement with Sprint Communications Company ("Sprint"). Effective February 1, 2000, Sprint began providing telecommunications relay services to ITAC at a specified cost per minute of use through February 1, 2003. Under the TRS Agreements, ITAC incurred \$5,896,637 and \$5,213,159 of expenses for the years ended December 31, 2001 and 2000, respectively.

At December 31, 2001, ITAC has recorded \$23,217 of accounts receivable representing amounts payable by Sprint in connection with the early termination of the AT&T contract.

3. INCOME TAXES

ITAC has received a determination letter from the Internal Revenue Service that exempts ITAC from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

4. LEASE COMMITMENT

ITAC leases office space. The terms of the lease require ITAC to pay the following over the course of the lease:

<u>Year</u>	<u>Amount</u>
2002	\$33,508

In 2001 and 2000, ITAC recognized \$41,440 and \$39,794 for rent expense, respectively.

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
PROJECTED BALANCE SHEET

<u>ASSETS</u>	<u>December 31, 2002</u>
CURRENT ASSETS:	
Cash and cash equivalent deficiency	(593,516)
Accounts receivable	277,802
Prepaid expenses	20,656
Total current assets	<u>(295,058)</u>
PROPERTY AND EQUIPMENT:	
TTY equipment	2,859,450
Telebraille equipment	157,497
LVD equipment	116,392
Computer equipment and software	52,117
Furniture and fixtures	51,994
	<u>3,237,450</u>
Less-accumulated depreciation	(3,006,247)
Property and equipment, net	<u>231,203</u>
Total assets	<u><u>(63,855)</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
CURRENT LIABILITIES:	
Accounts payable-	
Sprint- Telecommunications relay service	489,346
Other	46,327
Total current liabilities	<u>535,673</u>
 FUND BALANCE:	
Beginning	4,245,279
Revenues over (under) expenses	(4,844,807)
Ending	<u>(599,528)</u>
Total liabilities and fund balance	<u><u>(63,855)</u></u>

The accompanying Summary of Significant Projection Assumptions and Accounting Policies is an integral part of this statement.

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
PROJECTED STATEMENT OF REVENUES AND EXPENSES

	Year Ending December 31, 2002
REVENUES:	
Subscriber line charge	2,728,489
Investment income	52,334
Telecommunications relay service	61,103
Other income	7,176
Total revenues	<u>2,849,102</u>
EXPENSES:	
Telecommunications relay service	6,098,467
Administration	683,411
Equipment distribution and maintenance	302,761
Depreciation	233,494
Legal	110,000
Accounting and consulting	80,750
Loss on property and equipment retirements	0
Other	185,026
Total expenses	<u>7,693,909</u>
Revenues over (under) expenses	<u>(4,844,807)</u>

The accompanying Summary of Significant Projection Assumptions and Accounting Policies is an integral part of this statement.

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION
PROJECTED STATEMENT OF CASH FLOWS

	Year Ending December 31, 2002
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Revenues over (under) expenses	(4,844,807)
Adjustments to reconcile revenues over (under) expenses to net cash used in operating activities-	
Depreciation	233,494
Loss on property and equipment retirements	0
Decrease in accounts receivable	537,886
Increase in prepaid expenses	(325)
Increase in accounts payable	<u>39,727</u>
Net cash used in operating activities	<u>(4,034,025)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment	(139,753)
Purchase of temporary investments	1,000,000
Maturity of temporary investments	<u>(1,000,000)</u>
Net cash used in investing activities	<u>(139,753)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(4,173,778)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,580,262</u>
CASH AND CASH EQUIVALENT DEFICIENCY AT END OF YEAR	<u><u>(593,516)</u></u>

The accompanying Summary of Significant Projection Assumptions and Accounting Policies is an integral part of this statement.

ILLINOIS TELECOMMUNICATIONS ACCESS CORPORATION

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

For the Year Ending December 31, 2002

Basis for Presentation

The financial projection for the year ending December 31, 2002, has been prepared and presented in accordance with the guidelines included in the Guide for Prospective Financial Information by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, the financial projection contained herein presents, to the best of management's knowledge and belief at the time this projection was prepared, Illinois Telecommunications Access Corporation's ("ITAC") expected financial position, results of operations and cash flows for the projected period, assuming subscriber line charges under the May 9, 2001, Order of the Illinois Commerce Commission ("ICC"), in Docket No. 01-0300 ("May 2001 Order"), are in effect for 2002. Furthermore, the projection reflects ITAC's good faith judgment as of March 1, 2002, the date of this projection, of the expected conditions and ITAC's expected course of action. The assumptions disclosed herein are those that management believes are significant to the projection. There will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected and those differences may be material which would cause these projected results not to be achieved.

1. Telephone Subscriber Lines

Estimates of telephone subscriber lines reflect projections of subscriber line growth based on the historical average growth rate for the years 1999 through 2001.

2. Subscriber Line Charge Revenues

Estimates of subscriber line charge revenues are determined for residence and business access lines and for centrex lines using the appropriate monthly subscriber line charges established in the May 2001 Order.

3. Investment Income Revenues

Estimates of investment income revenues are based on an estimated return on short-term securities of 2.5% applied to the average cash and cash equivalents balance outstanding during the year. Investment income also includes 3% annual interest on a \$1,000,000 6-month certificate of deposit.

4. Telecommunications Relay Service Call Volumes

Estimates of telecommunications relay service call volumes are based on the annual call volume growth rate experienced for telecommunications relay services in Illinois for 2001. Based on this growth rate, call volumes in 2002 are projected to be 2.16% higher than actual call volumes for 2001.

5. Telecommunications Relay Service Revenues

Estimates of telecommunications relay service revenues include the amount that ITAC's relay service provider has guaranteed to submit to ITAC during 2002 and other telecommunications relay service revenues based on annualized December 2001 amounts adjusted by the projected 2.16% increase in call volumes through August 2002. As a result of pending amendments to 83 Ill. Adm. Code 755, it is expected telecommunications relay service revenues will no longer be collected after August 2002.

6. Telecommunications Relay Service Expenses

Estimates of telecommunications relay service expenses reflect actual 2001 minutes per call applied to anticipated call volumes and contracted cost per minute amounts. These expenses also include \$12,305 for expenses expected to be incurred associated with the planned provision of video relay services beginning in July 2002.

7. Equipment Distribution and Maintenance Expenses

Estimates of equipment distribution and maintenance expense reflect:

- a. annual amounts expected to be paid to regional centers for equipment handling, training, distribution and program promotion efforts in accordance with ITAC's Teletypewriter ("TTY") Distribution Program and with its Voice Carry Over (VCO) phones, LVD equipment, and amplified phones.
- b. annual amounts expected to be paid for warehouse, inspection and repair services related to TTY, telebraille and LVD equipment.
- c. annual amounts for telebraille equipment distribution and training services expected to be provided during the period.
- d. annual amounts expected to be incurred for the purchase of video relay service equipment.

8. Administration Expenses

Estimates of administration expenses reflect (a) estimates of head counts and salary and benefits levels for ITAC management based on current salary and employee benefits programs and (b) other escalatory costs estimated to increase 1.6% per year.

9. Depreciation Expense

Estimates of depreciation expense are based on straight-line depreciation (utilizing a half-year convention) of the property and equipment estimated for the period.

10. Legal, Accounting and Consulting, and Other Expenses

Estimates of legal, accounting and consulting, and other expenses include anticipated expenses associated with the proceedings to establish the annual subscriber line charge and for work to be performed in conjunction with changes to the rules governing telecommunications access for persons with disabilities in Illinois. Recurring, escalatory costs are estimated to increase at 1.6% per year.

11. Cash and Cash Equivalents

Assuming subscriber line charges under the May 2001 Order are in effect for 2002, the projection reflects an expected deficiency of cash and cash equivalents as of December 31, 2002, of \$593,516.

12. Accounts Receivable

The estimate of accounts receivable reflects an approximate one-month lag in the collection of subscriber line charge revenues from the various Local Exchange Carriers.

13. Property and Equipment

The estimate of property and equipment is based on historical amounts and estimated additions and retirements for the period as follows:

- a. TTY Equipment--The estimate of December 31, 2002, TTY equipment represents 10,219 units based on the beginning of year balance of 11,044 units and estimated retirements during 2002 of 825 units.
- b. Telebraille Equipment--The estimate of December 31, 2002, telebraille equipment represents 21 units based on the beginning of year balance of 20 units and estimated additions and retirements during 2002 of 3 and 2 units, respectively.
- c. LVD Equipment--The estimate of December 31, 2002, LVD equipment represents 159 units based on the beginning of year balance of 119 units and estimated additions and retirements during 2002 of 140 and 100 units, respectively.

14. Accumulated Depreciation

The estimate of accumulated depreciation is based on the beginning of year balance as adjusted by estimated depreciation expense and expected property and equipment retirements for the period.

15. Sprint-TRS Accounts Payable

The estimate of Sprint-TRS accounts payable reflects the anticipated telecommunications relay service billings for the last month of 2002 which are not expected to be paid by ITAC until after December 31, 2002.

16. Other Accounts Payable

The estimate of other accounts payable is based on:

- a. the recurring expenses not paid until after year-end included in the December 31, 2001, balance escalated at a rate of 1.6% and
- b. a one-month lag in the payment of projected equipment distribution and maintenance expenses.

17. Income Taxes

ITAC has received a determination letter from the Internal Revenue Service that exempts ITAC from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

18. Accounting Policies

The accounting policies used in preparing the projection are the same as those used in ITAC's audited financial statements as of December 31, 2001, and for the year then ended.



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Illinois Telecommunications Access Corporation:

We have examined the accompanying projected balance sheet and statements of revenues and expenses and cash flows of Illinois Telecommunications Access Corporation as of December 31, 2002, and for the year then ending. Our examination was made in accordance with standards for an examination of a projection established by the American Institute of Certified Public Accountants (AICPA) and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the projection.

The accompanying projection and this report were prepared for Illinois Telecommunications Access Corporation for presentation to the Illinois Commerce Commission for its deliberations in regard to establishing the annual subscriber line charges and should not be used for any other purpose.

In our opinion, the accompanying projection is presented in conformity with guidelines for presentation of a projection established by the AICPA, and the underlying assumptions provide a reasonable basis for management's projection assuming June 2001 subscriber line charges are in effect for 2002. However, even if June 2001 subscriber line charges are in effect for 2002 there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Arthur Andersen LLP

Chicago, Illinois
March 1, 2002