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Date 9/19/02 Reporter CK

**American Farm Bureau, Inc.
and Consolidated Subsidiaries**

**Report on Audits of Consolidated
Financial Statements and Supplementary
Consolidating Information**

For the Years Ended October 31, 2001 and 2000

**American Farm Bureau, Inc.
and Consolidated Subsidiaries**

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American Farm Bureau, Inc. and Consolidated Subsidiaries

Table of Contents

	Page(s)
Report of Independent Accountants	1
Financial Statements:	
Consolidated Balance Sheets October 31, 2001 and 2000	2
Consolidated Statements of Income for the years ended October 31, 2001 and 2000	3
Consolidated Statements of Cash Flows for the years ended October 31, 2001 and 2000	4
Notes to Consolidated Financial Statements	5-7
Supplementary Consolidating Information:	
Consolidating Balance Sheets October 31, 2001 and 2000	8-9
Consolidating Statements of Income October 31, 2001 and 2000	10-11

Report of Independent Accountants

To the Board of Directors
American Farm Bureau, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and of cash flows present fairly, in all material respects, the financial position of American Farm Bureau, Inc. and Consolidated Subsidiaries (the Company) at October 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary consolidating information on pages 8 through 11 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated financial statements. The supplementary consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

December 21, 2001

American Farm Bureau, Inc. and Consolidated Subsidiaries

Consolidated Balance Sheets October 31, 2001 and 2000

ASSETS	2001	2000
Current assets:		
Cash and cash equivalents	\$ 2,044,683	\$ 145,409
Accounts receivable	1,770,727	1,256,797
Inventory	-	4,931
Prepaid expenses	26,002	16,149
Marketable securities, at cost	120,000	1,458,000
Deferred tax asset	131,185	163,134
Accrued interest	18,053	12,177
	<u>4,110,650</u>	<u>3,056,597</u>
Total current assets		
Furniture and equipment, at cost, net of accumulated depreciation of \$310,053 and \$264,175 in 2001 and 2000, respectively	91,128	116,892
	<u>\$ 4,201,778</u>	<u>\$ 3,173,489</u>
Total assets		
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,421,702	\$ 1,572,249
	<u>2,421,702</u>	<u>1,572,249</u>
Total current liabilities		
	<u>2,421,702</u>	<u>1,572,249</u>
Total liabilities		
Stockholder's equity:		
Common stock, no par value; 10,000 shares authorized, 1,000 shares issued and outstanding	2,447,758	2,447,758
Retained deficit:		
Beginning of year	(846,518)	(1,325,463)
Dividends paid	(500,000)	(300,000)
Net income	678,836	778,945
	<u>(667,682)</u>	<u>(846,518)</u>
End of year		
Total stockholder's equity	<u>1,780,076</u>	<u>1,601,240</u>
Total liabilities and stockholder's equity	<u>\$ 4,201,778</u>	<u>\$ 3,173,489</u>

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

American Farm Bureau, Inc. and Consolidated Subsidiaries

Consolidated Statements of Income For the Years Ended October 31, 2001 and 2000

	2001	2000
Revenues:		
Investment fees	\$ -	\$ 308,043
Accounting fees	458,000	458,000
Interest income	100,269	67,586
Commission income	396,523	76,020
Sales of computer equipment	-	37,293
Satellite subscriptions and communication income	9,366,601	7,403,208
Equipment rental income	129,366	194,441
Other	20,546	17,528
	<u>10,471,305</u>	<u>8,562,119</u>
Expenses:		
Management services	94,000	94,000
Salaries and wages	989,981	1,343,663
Employee benefits	256,046	310,520
Payroll taxes	71,571	82,470
Travel	59,203	118,698
Rent	143,733	103,914
Promotion	90,529	42,966
Insurance	21,689	11,983
Telephone	45,732	46,823
Printing and office supplies	33,964	46,752
Cost of computer equipment sold	-	35,805
Outside services	275,009	222,793
Legal, auditing and accounting	147,339	96,996
Satellite and communications	7,201,261	5,209,927
Subscriptions and newsletters	144	25,925
Depreciation and amortization	47,054	115,100
Safekeeping, licenses and fees	40,781	32,131
Internet	5,218	-
Miscellaneous	46,097	1,371
	<u>9,569,351</u>	<u>7,941,837</u>
Net income before federal income tax and alternative minimum tax	901,954	620,282
Federal income taxes:		
Current income tax expense	(191,169)	-
Deferred income tax expense	(31,949)	163,134
Alternative minimum tax	-	(4,471)
	<u>-</u>	<u>(4,471)</u>
Net income	<u>\$ 678,836</u>	<u>\$ 778,945</u>

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

American Farm Bureau, Inc. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows For the Years Ended October 31, 2001 and 2000

	2001	2000
Cash flows from operating activities:		
Net income	\$ 678,836	\$ 778,945
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	47,054	115,100
Deferred tax asset	31,949	(163,134)
Changes in operating assets and liabilities:		
Accounts receivable (including members)	(513,930)	174,473
Inventory	4,931	3,431
Prepaid expenses and accrued interest	(15,729)	(5,933)
Accounts payable and accrued expenses	849,453	594,056
Net cash provided by operating activities	<u>1,082,564</u>	<u>1,496,938</u>
Cash flows from investing activities:		
Acquisition of furniture and equipment	(21,290)	(25,588)
Proceeds from sale/maturity of investments	1,458,000	271,000
Purchase of investments	(120,000)	(1,458,000)
Net cash provided by (used in) investing activities	<u>1,316,710</u>	<u>(1,212,588)</u>
Cash flows from financing activities:		
Dividends paid	(500,000)	(300,000)
Net cash used in financing activities	<u>(500,000)</u>	<u>(300,000)</u>
Net increase (decrease) in cash and cash equivalents	1,899,274	(15,650)
Cash and cash equivalents at beginning of year	<u>145,409</u>	<u>161,059</u>
Cash and cash equivalents at end of year	<u>\$ 2,044,683</u>	<u>\$ 145,409</u>

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

American Farm Bureau, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

1. Nature of Business and Summary of Significant Accounting Policies

a. Nature of Business and Accounting for Subsidiaries

American Farm Bureau, Inc. (the Company or AFBI) began operations on April 1, 1983. The Company was established to furnish general business, communications and management services to affiliated companies. AFBI is a wholly-owned subsidiary of American Farm Bureau Federation (the Federation).

The Company's subsidiaries have been consolidated in the accompanying consolidated financial statements (the consolidated group). All significant intercompany accounts and transactions have been eliminated in consolidation.

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

b. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with original maturities of less than three months.

c. Marketable Securities

Marketable securities, consisting primarily of certificates of deposit and money market funds, are carried at cost which approximates market.

d. Inventory

Inventory is stated at the lower of cost (specific identification) or market.

e. Depreciation

Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Upon retirement or other disposition of furniture and equipment, cost and related accumulated depreciation are removed from the accounts and the gain or loss is included in the consolidated statement of income.

f. Current Assets and Liabilities

Current assets include cash and other assets or resources commonly identified as those, which are reasonably expected to be realized in cash, or sold or consumed during the normal operating cycle of the business (one year). Current liabilities include obligations whose liquidation is reasonably expected to require the use of existing resources properly classified as current assets, or the creation of other current liabilities.

American Farm Bureau, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements, Continued

g. Revenue and Expense Recognition

Satellite subscriptions and communication income is recognized when earned and related expenses are charged to operations as incurred. Commissions are recognized when the related premiums are paid.

h. Reclassifications

Necessary reclassifications have been made to prior year amounts whenever appropriate to conform to the current year presentation.

2. Related Parties

The Company provides accounting and investment services to affiliates. Income from this activity was \$468,000 and \$776,043 in 2001 and 2000, respectively.

The consolidated group reimburses the Federation for rent and office expenses. These charges totaled \$126,778 and \$82,158 in 2001 and 2000, respectively.

Accounts receivable represents the Company's net receivables from various state Farm Bureau companies.

The Company paid a dividend to its parent in the amount of \$500,000 and \$300,000 during 2001 and 2000, respectively.

3. Retirement Plan

The consolidated group participates in the American Farm Bureau Employee Retirement Plan, a noncontributory defined benefit retirement plan covering substantially all employees of the Federation and its noninsurance subsidiaries. The insurance subsidiary has a separate but identical plan. Net pension expense charged to the consolidated group was \$151,651 and \$165,695 in 2001 and 2000, respectively. Pension expense is charged based upon an actuarial calculation of the portion of total plan expense relating to the consolidated group's participants.

The Company has incurred matching contributions related to the America Farm Bureau Federation Savings Trust (the Trust), a defined contribution retirement plan, of \$6,342 and \$4,453 in 2001 and 2000, respectively. The Company also incurred administrative costs associated with the Trust, which were \$852 and \$892 in 2001 and 2000, respectively.

American Farm Bureau, Inc. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements, Continued

4. Income Taxes

The Company files a consolidated tax return with its subsidiaries, and the consolidated taxes payable are allocated among the Company and its subsidiaries based on their respective contribution to consolidated taxable income. There is no allocation of income tax benefits made to subsidiaries with net operating losses.

Deferred income taxes are recorded to reflect the tax consequences on future years of differences between the basis of assets and liabilities for income tax and for financial reporting purposes. In addition, the amounts of any future tax benefits are reduced by a valuation allowance to the extent such benefits are not expected to be fully realized.

The components of net deferred income taxes, as of October 31, 2001 and 2000 were as follows:

	2001	2000
Deferred tax assets:		
Tax benefit related to net operating loss carryforward	\$ -	\$ 113,120
Accrued expenses	131,185	163,134
Total deferred tax assets	131,185	276,254
Valuation allowance	-	(113,120)
Deferred tax asset, net of valuation allowance	\$ 131,185	\$ 163,134

As of October 31, 2001, the Company has no net operating loss carryforwards available to offset future taxable income for tax purposes. The Company recognized \$0 and \$4,471 of alternative minimum tax expense for 2001 and 2000, respectively.

SUPPLEMENTARY CONSOLIDATING INFORMATION

American Farm Bureau, Inc. and Consolidated Subsidiaries

Consolidating Balance Sheets October 31, 2001

ASSETS	AFBI	AACSI	AAIA	Total	Eliminations	Consolidated Total
Current assets:						
Cash and cash equivalents	\$ 1,809,587	\$ 24,844	\$ 210,252	\$ 2,044,683	\$ -	\$ 2,044,683
Accounts receivable	1,724,466	45,276	985	1,770,727	-	1,770,727
Prepaid expenses	19,162	6,840	-	26,002	-	26,002
Marketable securities, at cost	-	-	120,000	120,000	-	120,000
Deferred tax asset	131,185	-	-	131,185	-	131,185
Accrued interest	5,507	89	12,457	18,053	-	18,053
Total current assets	3,689,907	77,049	343,694	4,110,650	-	4,110,650
Investments:						
Advance to subsidiaries	1,025,000	-	-	1,025,000	(1,025,000)	-
Investment in affiliates	200,250	-	-	200,250	(200,250)	-
Furniture and equipment	118,785	282,396	-	401,181	-	401,181
Less accumulated depreciation	(59,447)	(250,606)	-	(310,053)	-	(310,053)
Furniture and equipment, net	59,338	31,790	-	91,128	-	91,128
Total assets	\$ 4,974,495	\$ 108,839	\$ 343,694	\$ 5,427,028	\$ (1,225,250)	\$ 4,201,778
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)						
Current liabilities:						
Accounts payable and accrued expenses	\$ 2,169,681	\$ 137,175	\$ 114,846	\$ 2,421,702	\$ -	\$ 2,421,702
Total current liabilities	2,169,681	137,175	114,846	2,421,702	-	2,421,702
Advance from parent	-	1,025,000	-	1,025,000	(1,025,000)	-
Total liabilities	2,169,681	1,162,175	114,846	3,446,702	(1,025,000)	2,421,702
Stockholder's equity (deficit):						
Common stock	2,447,758	200,000	250	2,648,008	(200,250)	2,447,758
Retained earnings (deficit), beginning of year	184,755	(1,128,707)	97,434	(846,518)	-	(846,518)
Dividends paid	(500,000)	-	(100,000)	(600,000)	100,000	(500,000)
Net income (loss)	672,301	(124,629)	231,164	778,836	(100,000)	678,836
Retained earnings (deficit) end of year	357,056	(1,253,336)	228,598	(667,682)	-	(667,682)
Total stockholder's equity (deficit)	2,804,814	(1,053,336)	228,848	1,980,326	(200,250)	1,780,076
Total liabilities and stockholder's equity (deficit)	\$ 4,974,495	\$ 108,839	\$ 343,694	\$ 5,427,028	\$ (1,225,250)	\$ 4,201,778

American Farm Bureau, Inc. and Consolidated Subsidiaries

Consolidating Balance Sheets, Continued October 31, 2000

ASSETS	AFBI	AACSI	AAIA	Total	Eliminations	Consolidated Total
Current assets:						
Cash and cash equivalents	\$ 78,379	\$ 21,339	\$ 45,691	\$ 145,409	\$ -	\$ 145,409
Accounts receivable	1,195,741	60,756	300	1,256,797	-	1,256,797
Inventory	-	4,931	-	4,931	-	4,931
Prepaid expenses	15,947	202	-	16,149	-	16,149
Marketable securities, at cost	1,338,000	-	120,000	1,458,000	-	1,458,000
Deferred tax asset	163,134	-	-	163,134	-	163,134
Accrued interest	8,019	160	3,998	12,177	-	12,177
Total current assets	2,799,220	87,388	169,989	3,056,597	-	3,056,597
Investments:						
Advance to subsidiaries	1,025,000	-	-	1,025,000	(1,025,000)	-
Investment in affiliates	200,250	-	-	200,250	(200,250)	-
Furniture and equipment						
Furniture and equipment	103,060	278,007	-	381,067	-	381,067
Less accumulated depreciation	(43,168)	(221,007)	-	(264,175)	-	(264,175)
Furniture and equipment, net	59,892	57,000	-	116,892	-	116,892
Total assets	\$ 4,084,362	\$ 144,388	\$ 169,989	\$ 4,398,739	\$ (1,225,250)	\$ 3,173,489
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)						
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,451,849	\$ 48,095	\$ 72,305	\$ 1,572,249	\$ -	\$ 1,572,249
Total current liabilities	1,451,849	48,095	72,305	1,572,249	-	1,572,249
Advance from parent	-	1,025,000	-	1,025,000	(1,025,000)	-
Total liabilities	1,451,849	1,073,095	72,305	2,597,249	(1,025,000)	1,572,249
Stockholder's equity (deficit):						
Common stock	2,447,758	200,000	250	2,648,008	(200,250)	2,447,758
Retained earnings (deficit) beginning of year	(341,360)	(1,119,088)	134,985	(1,325,463)	-	(1,325,463)
Dividends paid	(300,000)	-	-	(300,000)	-	(300,000)
Net income (loss)	826,115	(9,619)	(37,551)	778,945	-	778,945
Retained earnings (deficit), end of year	184,755	(1,128,707)	97,434	(846,518)	-	(846,518)
Total stockholder's equity (deficit)	2,632,513	(928,707)	97,684	1,801,490	(200,250)	1,601,240
Total liabilities and stockholder's equity (deficit)	\$ 4,084,362	\$ 144,388	\$ 169,989	\$ 4,398,739	\$ (1,225,250)	\$ 3,173,489

American Farm Bureau, Inc. and Consolidated Subsidiaries

Consolidating Statements of Income October 31, 2001

	AFBI	AACSI	AAIA	Eliminations	Consolidated Total
Revenues:					
Investment fees	\$ -	\$ -	\$ -	\$ -	\$ -
Accounting fees	468,000	-	-	(10,000)	458,000
Interest income	177,843	2,097	20,329	(100,000)	100,269
Commission income	27,321	-	369,202	-	396,523
Sales of computer equipment	-	-	-	-	-
Satellite subscriptions and communication income	9,111,091	255,510	-	-	9,366,601
Equipment rental income	-	129,366	-	-	129,366
Other	-	20,546	-	-	20,546
Total revenues	9,784,255	407,519	389,531	(110,000)	10,471,305
Expenses:					
Management services	85,000	5,000	4,000	-	94,000
Salaries and wages	861,488	128,493	-	-	989,981
Net employee benefits	217,391	38,655	-	-	256,046
Payroll taxes	62,660	9,511	-	-	71,571
Travel	54,046	3,117	2,040	-	59,203
Rent	119,960	21,273	2,500	-	143,733
Promotion	89,859	670	-	-	90,529
Insurance	15,149	2,123	4,417	-	21,689
Telephone	37,669	6,623	1,440	-	45,732
Printing and office supplies	28,385	2,279	3,300	-	33,964
Cost of computer equipment sold	-	-	-	-	-
Outside services	-	144,009	131,000	-	275,009
Legal, auditing and accounting	135,915	17,474	3,950	(10,000)	147,339
Satellite and communications	7,123,186	78,075	-	-	7,201,261
Subscriptions and newsletters	144	-	-	-	144
Depreciation and amortization	16,901	30,153	-	-	47,054
Safekeeping, licenses and fees	34,961	-	5,720	-	40,681
Internet	5,218	-	-	-	5,218
Miscellaneous	1,504	44,693	-	-	46,197
Total expenses	8,888,836	532,148	158,367	(10,000)	9,569,351
Net income (loss) before federal income taxes	895,419	(124,629)	231,164	(100,000)	901,954
Federal income taxes:					
Current	(191,169)	-	-	-	(191,169)
Deferred	(31,949)	-	-	-	(31,949)
Net income (loss)	\$ 672,301	\$ (124,629)	\$ 231,164	\$ (100,000)	\$ 678,836

American Farm Bureau, Inc. and Consolidated Subsidiaries

Consolidating Statements of Income

October 31, 2000

	AFBI	AACSI	AAIA	Eliminations	Consolidated Total
Revenues:					
Investment fees	\$ 308,043	\$ -	\$ -	\$ -	\$ 308,043
Accounting fees	468,000	-	-	(10,000)	458,000
Interest income	59,183	2,026	6,377	-	67,586
Commission income	19,062	-	56,958	-	76,020
Sales of computer equipment	-	37,293	-	-	37,293
Satellite subscriptions and communication income	7,121,081	282,127	-	-	7,403,208
Equipment rental income	-	194,441	-	-	194,441
Other	-	17,528	-	-	17,528
Total revenues	7,975,369	533,415	63,335	(10,000)	8,562,119
Expenses:					
Management services	85,000	5,000	4,000	-	94,000
Salaries and wages	1,207,254	136,409	-	-	1,343,663
Employee benefits	282,284	28,236	-	-	310,520
Payroll taxes	71,065	11,315	90	-	82,470
Travel	112,847	4,027	1,824	-	118,698
Rent	90,215	11,369	2,330	-	103,914
Promotion	38,069	4,897	-	-	42,966
Insurance	8,837	3,058	88	-	11,983
Telephone	38,349	7,915	559	-	46,823
Printing and office supplies	41,073	4,621	1,058	-	46,752
Cost of computer equipment sold	-	35,805	-	-	35,805
Outside services	-	148,083	74,710	-	222,793
Legal, auditing and accounting	82,096	20,900	4,000	(10,000)	96,996
Satellite and communications	5,133,110	76,817	-	-	5,209,927
Subscriptions and newsletters	25,925	-	-	-	25,925
Depreciation and amortization	71,737	43,363	-	-	115,100
Safekeeping, licenses and fees	19,904	-	12,227	-	32,131
Miscellaneous	152	1,219	-	-	1,371
Total expenses	7,307,917	543,034	100,886	(10,000)	7,941,837
Net income (loss) before federal income taxes and alternative minimum tax	667,452	(9,619)	(37,551)	-	620,282
Federal income taxes:					
Current	-	-	-	-	-
Deferred	163,134	-	-	-	163,134
Alternative minimum tax	-	-	-	-	(4,471)
Net income (loss)	\$ 830,586	\$ (9,619)	\$ (37,551)	\$ -	\$ 778,945