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JUN 29 2015

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| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and is subject to federal laws and regulations regarding confidential information. BORROWER NAME The Arthur Mutual Telephone Company (Prepared with Audited Data) |
| INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only. | PERIOD ENDING December, 2014 |
| BORROWER DESIGNATION OH0503 | |
| CERTIFICATION We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES. DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII (Check one of the following) | |
| <input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects. | |
| <input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report | |
| eric roughton | 3/26/2015 |
| DATE | |

PO Mail Room

| PART A. BALANCE SHEET | | | | | |
|--|-----------------------|--------------------------|---|-----------------------|--------------------------|
| ASSETS | BALANCE PRIOR YEAR | BALANCE END OF PERIOD | LIABILITIES AND STOCKHOLDERS' EQUITY | BALANCE PRIOR YEAR | BALANCE END OF PERIOD |
| CURRENT ASSETS | | | CURRENT LIABILITIES | | |
| 1. Cash and Equivalents | | | 25. Accounts Payable | | |
| 2. Cash-RUS Construction Fund | | | 26. Notes Payable | | |
| 3. Affiliates: | | | 27. Advance Billings and Payments | | |
| a. Telecom, Accounts Receivable | | | 28. Customer Deposits | | |
| b. Other Accounts Receivable | | | 29. Current Mat. L/T Debt | | |
| c. Notes Receivable | | | 30. Current Mat. L/T Debt-Rur. Dev. | | |
| 4. Non-Affiliates: | | | 31. Current Mat.-Capital Leases | | |
| a. Telecom, Accounts Receivable | | | 32. Income Taxes Accrued | | |
| b. Other Accounts Receivable | | | 33. Other Taxes Accrued | | |
| c. Notes Receivable | | | 34. Other Current Liabilities | | |
| 5. Interest and Dividends Receivable | | | 35. Total Current Liabilities (25 thru 34) | | |
| 6. Material-Regulated | | | LONG-TERM DEBT | | |
| 7. Material-Nonregulated | | | 36. Funded Debt-RUS Notes | | |
| 8. Prepayments | | | 37. Funded Debt-RTB Notes | | |
| 9. Other Current Assets | | | 38. Funded Debt-FFB Notes | | |
| 10. Total Current Assets (1 Thru 9) | | | 39. Funded Debt-Other | | |
| NONCURRENT ASSETS | | | 40. Funded Debt-Rural Develop. Loan | | |
| 11. Investment in Affiliated Companies | | | 41. Premium (Discount) on L/T Debt | | |
| a. Rural Development | | | 42. Rescoured Debt | | |
| b. Nonrural Development | | | 43. Obligations Under Capital Lease | | |
| 12. Other Investments | | | 44. Adv. From Affiliated Companies | | |
| a. Rural Development | | | 45. Other Long-Term Debt | | |
| b. Nonrural Development | | | 46. Total Long-Term Debt (36 thru 45) | | |
| 13. Nonregulated Investments | | | OTHER LIAB. & DEF. CREDITS | | |
| 14. Other Noncurrent Assets | | | 47. Other Long-Term Liabilities | | |
| 15. Deferred Charges | | | 48. Other Deferred Credits | | |
| 16. Jurisdictional Differences | | | 49. Other Jurisdictional Differences | | |
| 17. Total Noncurrent Assets (11 thru 16) | | | 50. Total Other Liabilities and Deferred Credits (47 thru 49) | | |
| PLANT, PROPERTY, AND EQUIPMENT | | | EQUITY | | |
| 18. Telecom, Plant-in-Service | | | 51. Cap. Stock Outstand. & Subscribed | | |
| 19. Property Held for Future Use | | | 52. Additional Paid-in-Capital | | |
| 20. Plant Under Construction | | | 53. Treasury Stock | | |
| 21. Plant Adj., Nonop. Plant & Goodwill | | | 54. Membership and Cap. Certificates | | |
| 22. Less Accumulated Depreciation | | | 55. Other Capital | | |
| 23. Net Plant (18 thru 21 less 22) | | | 56. Patronage Capital Credits | | |
| 24. TOTAL ASSETS (10+17+23) | | | 57. Retained Earnings or Margins | | |
| | | | 58. Total Equity (51 thru 57) | | |
| | | | 59. TOTAL LIABILITIES AND EQUITY (35+46+50+58) | | |

Total Equity = _____ % of Total Assets

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| USDA-RUS | | BORROWER DESIGNATION | |
|---|------------|---------------------------------|--|
| OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | | OR0503 | |
| | | PERIOD ENDING December, 2014 | |
| INSTRUCTIONS- See RUS Bulletin 1744-2 | | | |
| PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS | | | |
| ITEM | PRIOR YEAR | THIS YEAR | |
| 1. Local Network Services Revenues | | | |
| 2. Network Access Services Revenues | | | |
| 3. Long Distance Network Services Revenues | | | |
| 4. Carrier Billing and Collection Revenues | | | |
| 5. Miscellaneous Revenues | | | |
| 6. Uncollectible Revenues | | | |
| 7. Net Operating Revenues (1 thru 5 less 6) | | | |
| 8. Plant Specific Operations Expense | | | |
| 9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization) | | | |
| 10. Depreciation Expense | | | |
| 11. Amortization Expense | | | |
| 12. Customer Operations Expense | | | |
| 13. Corporate Operations Expense | | | |
| 14. Total Operating Expenses (8 thru 13) | | | |
| 15. Operating Income or Margins (7 less 14) | | | |
| 16. Other Operating Income and Expenses | | | |
| 17. State and Local Taxes | | | |
| 18. Federal Income Taxes | | | |
| 19. Other Taxes | | | |
| 20. Total Operating Taxes (17+18+19) | | | |
| 21. Net Operating Income or Margins (15+16-20) | | | |
| 22. Interest on Funded Debt | | | |
| 23. Interest Expense - Capital Leases | | | |
| 24. Other Interest Expense | | | |
| 25. Allowance for Funds Used During Construction | | | |
| 26. Total Fixed Charges (22+23+24-25) | | | |
| 27. Nonoperating Net Income | | | |
| 28. Extraordinary Items | | | |
| 29. Jurisdictional Differences | | | |
| 30. Nonregulated Net Income | | | |
| 31. Total Net Income or Margins (21+27+28+29+30-26) | | | |
| 32. Total Taxes Based on Income | | | |
| 33. Retained Earnings or Margins Beginning-of-Year | | | |
| 34. Miscellaneous Credits Year-to-Date | | | |
| 35. Dividends Declared (Common) | | | |
| 36. Dividends Declared (Preferred) | | | |
| 37. Other Debits Year-to-Date | | | |
| 38. Transfers to Patronage Capital | | | |
| 39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)] | | | |
| 40. Patronage Capital Beginning-of-Year | | | |
| 41. Transfers to Patronage Capital | | | |
| 42. Patronage Capital Credits Retired | | | |
| 43. Patronage Capital End-of-Year (40+41-42) | | | |
| 44. Annual Debt Service Payments | | | |
| 45. Cash Ratio [(14+20-10-11) / 7] | | | |
| 46. Operating Accrual Ratio [(14+20+26) / 7] | | | |
| 47. TIER [(31+26) / 26] | | | |
| 48. DSCR [(31+26+10+11) / 44] | | | |

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| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS INSTRUCTIONS - See RUS Bulletin 1744-2 | | | | | | BORROWER DESIGNATION OH0503 PERIOD ENDED December, 2014 | |
| Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION | | | | | | | |
| | 1. RATES | | 2. SUBSCRIBERS (ACCESS LINES) | | | 3. ROUTE MILES | |
| EXCHANGE | B-1 | R-1 | BUSINESS | RESIDENTIAL | TOTAL | TOTAL (including fiber) | FIBER |
| | (a) | (b) | (a) | (b) | (c) | (a) | (b) |
| MobilaWireless | | | | | | | |
| Route Mileage Outside Exchange Area | | | | | | | |
| Total | | | | | | | |
| No. Exchanges | | | | | | | |

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| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS INSTRUCTIONS - See RUS Bulletin 1744-2 | | | | | | BORROWER DESIGNATION OH0503 PERIOD ENDED December, 2014 | | |
|--|---|---------------------------------------|---------------------------------|--|--|--|------------------------|------------------------------|
| Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION | | | | | | | | |
| 4. BROADBAND SERVICE | | | | | | | | |
| Details on Least Expensive Broadband Service | | | | | | | | |
| EXCHANGE | No. Access Lines with BB available (a) | No Of Broadband Subscribers (b) | Number Of Subscribers (c) | Advertised Download Rate (Kbps) (d) | Advertised Upload Rate (Kbps) (e) | Price Per Month (f) | Standalone/Pckg (f) | Type Of Technology (g) |
| | | | | | | | | |
| Total | | | | | | | | |

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| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | | BORROWER DESIGNATION OH0503 | | | |
| INSTRUCTIONS - See RUS Bulletin 1744-2 | | PERIOD ENDING December, 2014 | | | |
| PART D. SYSTEM DATA | | | | | |
| 1. No. Plant Employees | 2. No. Other Employees | 3. Square Miles Served | 4. Access Lines per Square Mile | | |
| | | | 5. Subscribers per Route Mile | | |
| PART E. TOLL DATA | | | | | |
| 1. Study Area ID Code(s) a. <input type="checkbox"/> b. <input type="checkbox"/> c. <input type="checkbox"/> d. <input type="checkbox"/> e. <input type="checkbox"/> f. <input type="checkbox"/> g. <input type="checkbox"/> h. <input type="checkbox"/> i. <input type="checkbox"/> j. <input type="checkbox"/> | | 2. Types of Toll Settlements (Check one) Interstate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis Intrastate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis | | | |
| PART F. FUNDS INVESTED IN PLANT DURING YEAR | | | | | |
| 1. RUS, RTB, & FFB Loan Funds Expended | | | | | |
| 2. Other Long-Term Loan Funds Expended | | | | | |
| 3. Funds Expended Under RUS Interim Approval | | | | | |
| 4. Other Short-Term Loan Funds Expended | | | | | |
| 5. General Funds Expended (Other than Interim) | | | | | |
| 6. Salvaged Materials | | | | | |
| 7. Contribution in Aid to Construction | | | | | |
| 8. Gross Additions to Telecom. Plant (1 thru 7) | | | | | |
| PART G. INVESTMENTS IN AFFILIATED COMPANIES | | | | | |
| INVESTMENTS (a) | CURRENT YEAR DATA | | CUMULATIVE DATA | | |
| | Investment This Year <i>(b)</i> | Income/Loss This Year <i>(c)</i> | Cumulative Investment To Date <i>(d)</i> | Cumulative Income/Loss To Date <i>(e)</i> | Current Balance <i>(f)</i> |
| 1. Investment in Affiliated Companies - Rural Development | | | | | |
| 2. Investment in Affiliated Companies - Nonrural Development | | | | | |

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| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | BORROWER DESIGNATION OH0523 <hr/> PERIOD ENDING December, 2014 |
| PART H. CURRENT DEPRECIATION RATES | |
| Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one) | |
| <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | |
| EQUIPMENT CATEGORY | DEPRECIATION RATE |
| 1. Land and support assets - Motor Vehicles | |
| 2. Land and support assets - Aircraft | |
| 3. Land and support assets - Special purpose vehicles | |
| 4. Land and support assets - Garage and other work equipment | |
| 5. Land and support assets - Buildings | |
| 6. Land and support assets - Furniture and Office equipment | |
| 7. Land and support assets - General purpose computers | |
| 8. Central Office Switching - Digital | |
| 9. Central Office Switching - Analog & Electro-mechanical | |
| 10. Central Office Switching - Operator Systems | |
| 11. Central Office Transmission - Radio Systems | |
| 12. Central Office Transmission - Circuit equipment | |
| 13. Information origination/termination - Station apparatus | |
| 14. Information origination/termination - Customer premises wiring | |
| 15. Information origination/termination - Large private branch exchanges | |
| 16. Information origination/termination - Public telephone terminal equipment | |
| 17. Information origination/termination - Other terminal equipment | |
| 18. Cable and wire facilities - Poles | |
| 19. Cable and wire facilities - Aerial cable - Metal | |
| 20. Cable and wire facilities - Aerial cable - Fiber | |
| 21. Cable and wire facilities - Underground cable - Metal | |
| 22. Cable and wire facilities - Underground cable - Fiber | |
| 23. Cable and wire facilities - Buried cable - Metal | |
| 24. Cable and wire facilities - Buried cable - Fiber | |
| 25. Cable and wire facilities - Conduit systems | |
| 26. Cable and wire facilities - Other | |

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| USDA-RUS | | BORROWER DESIGNATION | |
| OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | | OH3503 | |
| INSTRUCTIONS – See help in the online application. | | PERIOD ENDED December, 2014 | |
| PART I – STATEMENT OF CASH FLOWS | | | |
| 1. | Beginning Cash (Cash and Equivalents plus RUS Construction Fund) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 2. | Net Income | | |
| <i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i> | | | |
| 3. | Add: Depreciation | | |
| 4. | Add: Amortization | | |
| 5. | Other (Explain) | | |
| <i>Changes in Operating Assets and Liabilities</i> | | | |
| 6. | Decrease/(Increase) in Accounts Receivable | | |
| 7. | Decrease/(Increase) in Materials and Inventory | | |
| 8. | Decrease/(Increase) in Prepayments and Deferred Charges | | |
| 9. | Decrease/(Increase) in Other Current Assets | | |
| 10. | Increase/(Decrease) in Accounts Payable | | |
| 11. | Increase/(Decrease) in Advance Billings & Payments | | |
| 12. | Increase/(Decrease) in Other Current Liabilities | | |
| 13. | Net Cash Provided/(Used) by Operations | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| 14. | Decrease/(Increase) in Notes Receivable | | |
| 15. | Increase/(Decrease) in Notes Payable | | |
| 16. | Increase/(Decrease) in Customer Deposits | | |
| 17. | Net Increase/(Decrease) in Long Term Debt (Including Current Maturities) | | |
| 18. | Increase/(Decrease) in Other Liabilities & Deferred Credits | | |
| 19. | Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital | | |
| 20. | Less: Payment of Dividends | | |
| 21. | Less: Patronage Capital Credits Retired | | |
| 22. | Other (Explain) | | |
| 23. | Net Cash Provided/(Used) by Financing Activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 24. | Net Capital Expenditures (Property, Plant & Equipment) | | |
| 25. | Other Long-Term Investments | | |
| 26. | Other Noncurrent Assets & Jurisdictional Differences | | |
| 27. | Other (Explain) | | |
| 28. | Net Cash Provided/(Used) by investing Activities | | |
| 29. | Net Increase/(Decrease) in Cash | | |
| 30. | Ending Cash | | |

Revision Date 2010

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| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | BORROWER DESIGNATION OHD503 |
| INSTRUCTIONS - See RUS Bulletin 1744-2 | PERIOD ENDED December, 2014 |
| NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | |
| | |

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| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | BORROWER DESIGNATION OH0503 |
| INSTRUCTIONS - See RUS Bulletin 1744-2 | PERIOD ENDED December, 2014 |
| CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | |
| | |

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Five-Year Plan Progress Report

Arthur Mutual

SAC 300586

Year 2014 Federal Universal Service Receipts:

| | | |
|--------------------------------|----|--|
| Interstate Access Support | \$ | |
| Interstate Common Line Support | \$ | |
| Connect America Fund Support | \$ | |
| High Cost Loop Support | \$ | |
| Safety Net Additive Support | \$ | |
| CAF-ICC | \$ | |
| TOTAL | \$ | |

Expenditures For Provision, Maintenance, and Upgrading Of Facilities and Services Supported By Federal Universal Service Funding:

| | Actual 2014 |
|--|----------------|
| Plant Specific Operations Expenses | |
| Network support (Accts 6110-16) | \$ |
| General support (Accts 6120-24) | \$ |
| Central office (Accts 6210-6232) | \$ |
| Cable and wire facilities (Accts 6410-41) | \$ |
| Network operations (Accts 6530-35) | \$ |
| Depreciation and amortization (Accts 6560-65) | \$ |
| Customer Operations Expenses | |
| Customer services (Accts 6611-23) | \$ |
| Corporate Operations Expenses | |
| Executive and planning (Accts 6710-12) | \$ |
| General and administrative (Accts 6720-28) | \$ |
| Total Years Supported Expenses, Before Return on Investment | \$ |
| Additions/Capx | |
| Total | \$ |
| Total Supported Expenditures, Before Return on Investment | \$ |

It is estimated that [REDACTED] of universal service funding received in 2014 was used to ensure and improve *service quality*. This ensures that the network is maintained and operated to provide telecommunications and information services as well as interexchange services and advanced telecommunications that are reasonably comparable to those services offered in urban areas and are available at rates that are reasonably comparable to rates charged for similar services in urban areas. We believe it is reasonable to conclude the same [REDACTED] of universal service funding received in 2014 will be used to ensure and improve service quality in 2015.

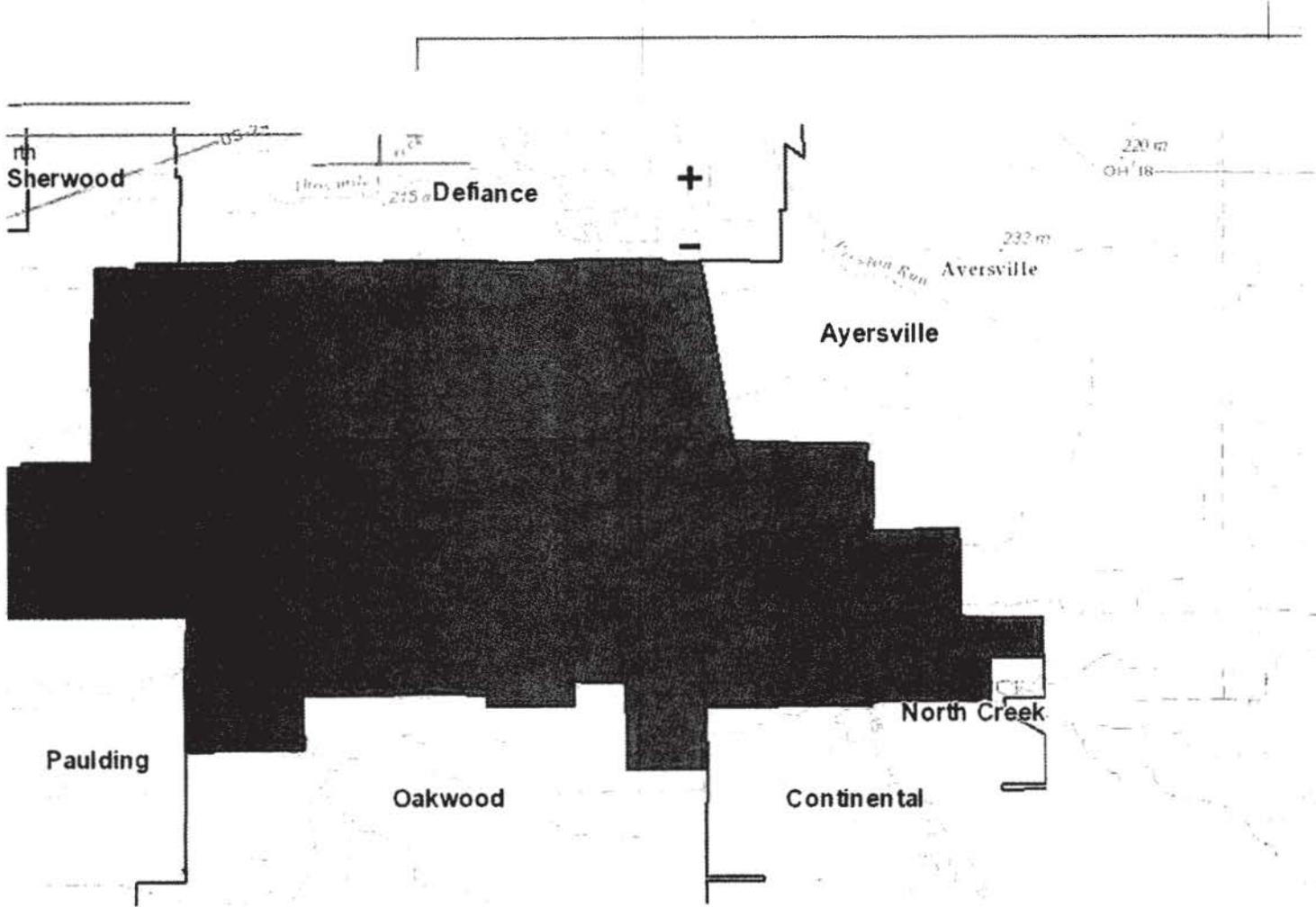
It is estimated that [REDACTED] of universal service funding received in 2014 was used improve *service coverage* at the wire center served by our company for telecommunications and information services as well as interexchange services and advanced telecommunications (broadband). Due to these expenditures, [REDACTED] of households in our service area will have access to our broadband capable network as of July 1, 2015. We believe it is reasonable to conclude the same [REDACTED] of universal service funding received in 2014 will be used to improve service coverage in 2015.

It is estimated that [REDACTED] of universal service funding received in 2014 was used improve *service capacity* at the wire center served by our company for telecommunications and information services as well as interexchange services and advanced telecommunications (broadband). Due to these expenditures, [REDACTED] of households in our service area will have access to our broadband capable network at speeds that meet or exceed 10Mbps/1Mbps as of July 1, 2015. We believe it is reasonable to conclude the same [REDACTED] of universal service funding received in 2014 will be used to improve service capacity in 2015.

Ohio Telephone Exchange Areas

The Arthur Mutual Telephone Company

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Five-Year Plan Progress Report

Arthur Mutual

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Year 2014 Federal Universal Service Receipts:

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| TOTAL | \$ | |

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|--|--------|
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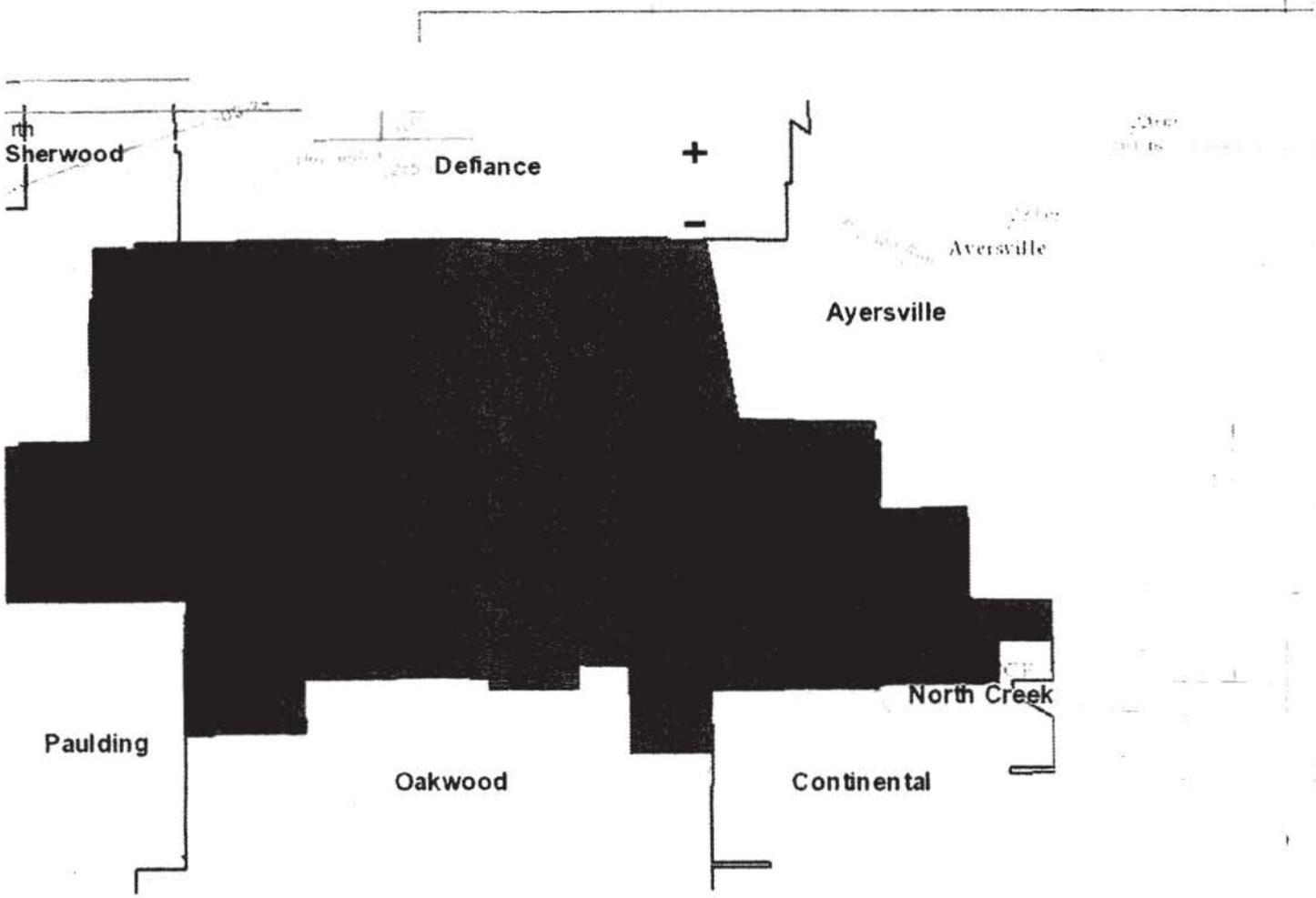
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Ohio Telephone Exchange Areas

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Arthur Mutual

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|--|----------------|
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