

Alliance Communications Cooperative, Inc.

Progress Report of 5 Year Plan – Milestone Certification

To be in compliance with the Milestone Certification of providing upon a reasonable request broadband service at actual speeds of 4 Mbps downstream/1 Mbps upstream:

- Alliance Communications Cooperative, Inc. certifies that it has taken reasonable steps to provide upon a reasonable request broadband service at actual speeds of 4 Mbps downstream/1 Mbps upstream with latency suitable for real-time applications, including Voice over Internet Protocol.
- The Company provides usage capacity that is reasonably comparable to comparable offerings in urban areas.
- The Company certifies that requests for such service are met within a reasonable amount of time.

Alliance Communications Cooperative, Inc.

Progress Report on 5 Year Plan – Community Anchor Institutions

Alliance Communications Cooperative, Inc. does not have any newly served community anchor institutions because all anchor institutions had broadband service available to them prior to 2014.

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According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0031. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

USDA-RUS

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, subject to federal laws and regulations regarding confidential information, will be treated as confidential.

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER NAME
Alliance Communications Cooperative, Inc.
(Prepared with Audited Data)

Received & Inspected
JUN 29 2015

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
SD0526 FCC Mail Room

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)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

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

Don Snyder

3/28/2015

DATE

PART A. BALANCE SHEET

| ASSETS | BALANCE | BALANCE | LIABILITIES AND STOCKHOLDERS' EQUITY | BALANCE | BALANCE |
|--|------------|---------------|---|------------|---------------|
| | PRIOR YEAR | END OF PERIOD | | PRIOR YEAR | 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. Recquired 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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**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

SD0526

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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**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

SD0526

PERIOD ENDING

December, 2014

INSTRUCTIONS- See RUS Bulletin 1744-2

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. | 2. Types of Toll Settlements (Check one) | Interstate: | <input type="checkbox"/> Average Schedule | <input checked="" type="checkbox"/> Cost Basis |
| | b. | | Intrastate: | <input type="checkbox"/> Average Schedule | <input checked="" type="checkbox"/> Cost Basis |
| | c. | | | | |
| | d. | | | | |
| | e. | | | | |
| | f. | | | | |
| | g. | | | | |
| | h. | | | | |
| | i. | | | | |
| | j. | | | | |

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 (b) | Income/Loss This Year (c) | Cumulative Investment To Date (d) | Cumulative Income/Loss To Date (e) | Current Balance (f) |
| | 1. Investment in Affiliated Companies - Rural Development | | | | |
| 2. Investment in Affiliated Companies - Nonrural Development | | | | | |

| | |
|---|---------------------------------|
| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | BORROWER DESIGNATION SD0526 |
| | 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)

YES 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 | | SD0526 | |
| 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) | | [REDACTED] | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 2. Net Income | | [REDACTED] | |
| <i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i> | | | |
| 3. Add: Depreciation | | [REDACTED] | |
| 4. Add: Amortization | | [REDACTED] | |
| 5. Other (Explain) | | [REDACTED] | |
| <i>Changes in Operating Assets and Liabilities</i> | | | |
| 6. Decrease/(Increase) in Accounts Receivable | | [REDACTED] | |
| 7. Decrease/(Increase) in Materials and Inventory | | [REDACTED] | |
| 8. Decrease/(Increase) in Prepayments and Deferred Charges | | [REDACTED] | |
| 9. Decrease/(Increase) in Other Current Assets | | [REDACTED] | |
| 10. Increase/(Decrease) in Accounts Payable | | [REDACTED] | |
| 11. Increase/(Decrease) in Advance Billings & Payments | | [REDACTED] | |
| 12. Increase/(Decrease) in Other Current Liabilities | | [REDACTED] | |
| 13. Net Cash Provided/(Used) by Operations | | [REDACTED] | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| 14. Decrease/(Increase) in Notes Receivable | | [REDACTED] | |
| 15. Increase/(Decrease) in Notes Payable | | [REDACTED] | |
| 16. Increase/(Decrease) in Customer Deposits | | [REDACTED] | |
| 17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities) | | [REDACTED] | |
| 18. Increase/(Decrease) in Other Liabilities & Deferred Credits | | [REDACTED] | |
| 19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital | | [REDACTED] | |
| 20. Less: Payment of Dividends | | [REDACTED] | |
| 21. Less: Patronage Capital Credits Retired | | [REDACTED] | |
| 22. Other (Explain) | | [REDACTED] | |
| 23. Net Cash Provided/(Used) by Financing Activities | | [REDACTED] | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 24. Net Capital Expenditures (Property, Plant & Equipment) | | [REDACTED] | |
| 25. Other Long-Term Investments | | [REDACTED] | |
| 26. Other Noncurrent Assets & Jurisdictional Differences | | [REDACTED] | |
| 27. Other (Explain) | | [REDACTED] | |
| 28. Net Cash Provided/(Used) by Investing Activities | | [REDACTED] | |
| 29. Net Increase/(Decrease) in Cash | | [REDACTED] | |
| 30. Ending Cash | | [REDACTED] | |

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|---|---|
| <p>USDA-RUS</p> <p>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p> | <p>BORROWER DESIGNATION</p> <p>SD0526</p> |
| <p>INSTRUCTIONS - See RUS Bulletin 1744-2</p> | <p>PERIOD ENDED</p> <p>December, 2014</p> |
| <p>NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p> | |
| | |

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|--|------------------------------------|
| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | BORROWER DESIGNATION SD0526 |
| INSTRUCTIONS - See RUS Bulletin 1744-2 | PERIOD ENDED December, 2014 |
| CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | |
| | |

Received & Inspected

JUN 29 2015

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(361405) Alliance Communications Cooperative, Inc.-Hills, MN

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 | \$ | |
| Safety Valve Loop Cost Adjustment | \$ | |
| CAF-ICC | \$ | |
| TOTAL | | |

Expenditures For Provision, Maintenance, and Supported By Federal Universal Service Fund

and Services

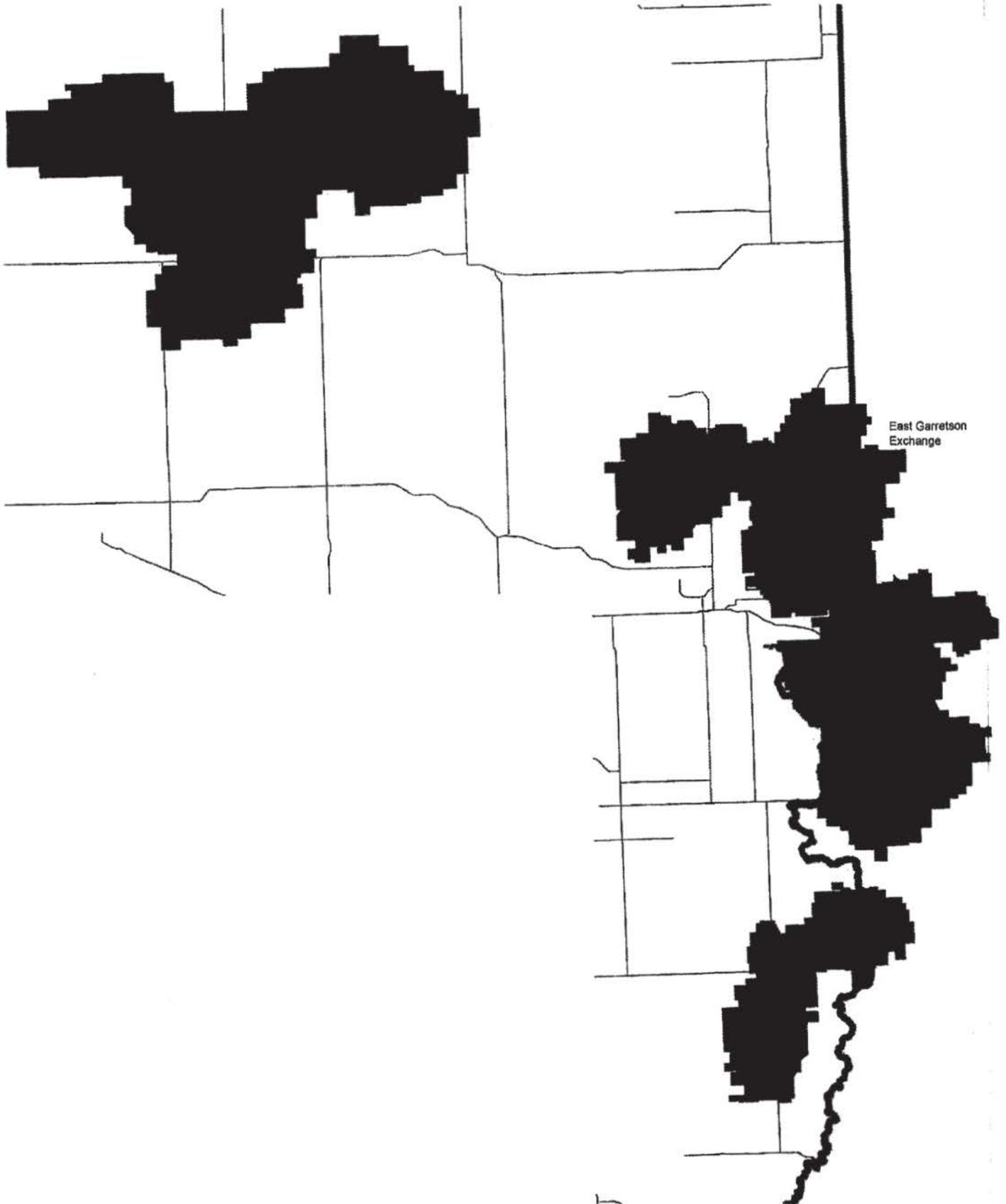
| | Actual 2014 | |
|--|----------------|--|
| Plant Specific Operations Expenses | | |
| Network support (Accts 6110-16) | | |
| General support (Accts 6120-24) | | |
| Central office (Accts 6210-6232) | | |
| Cable and wire facilities (Accts 6410-41) | | |
| Network operations (Accts 6530-35) | | |
| 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 Ret | \$ | |
| Additions/Capx | | |
| Transmission Equipment (Acct 2230) | | |
| Cable and wire (Acct 2410) | | |
| Total | \$ | |
| Total Supported Expenditures, Before Return | \$ | |

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. Expenditures are not tracked at the wire center or census block level and are reported here on a total service area basis. 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 wire centers 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. Expenditures are not tracked at the wire center or census block level and are reported here on a total service area basis. 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.

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Alliance Communications Cooperative, Inc. - Study Areas 391642, 351405, 361405, 391405, 391657



Received & Inspected

JUN 29 2015

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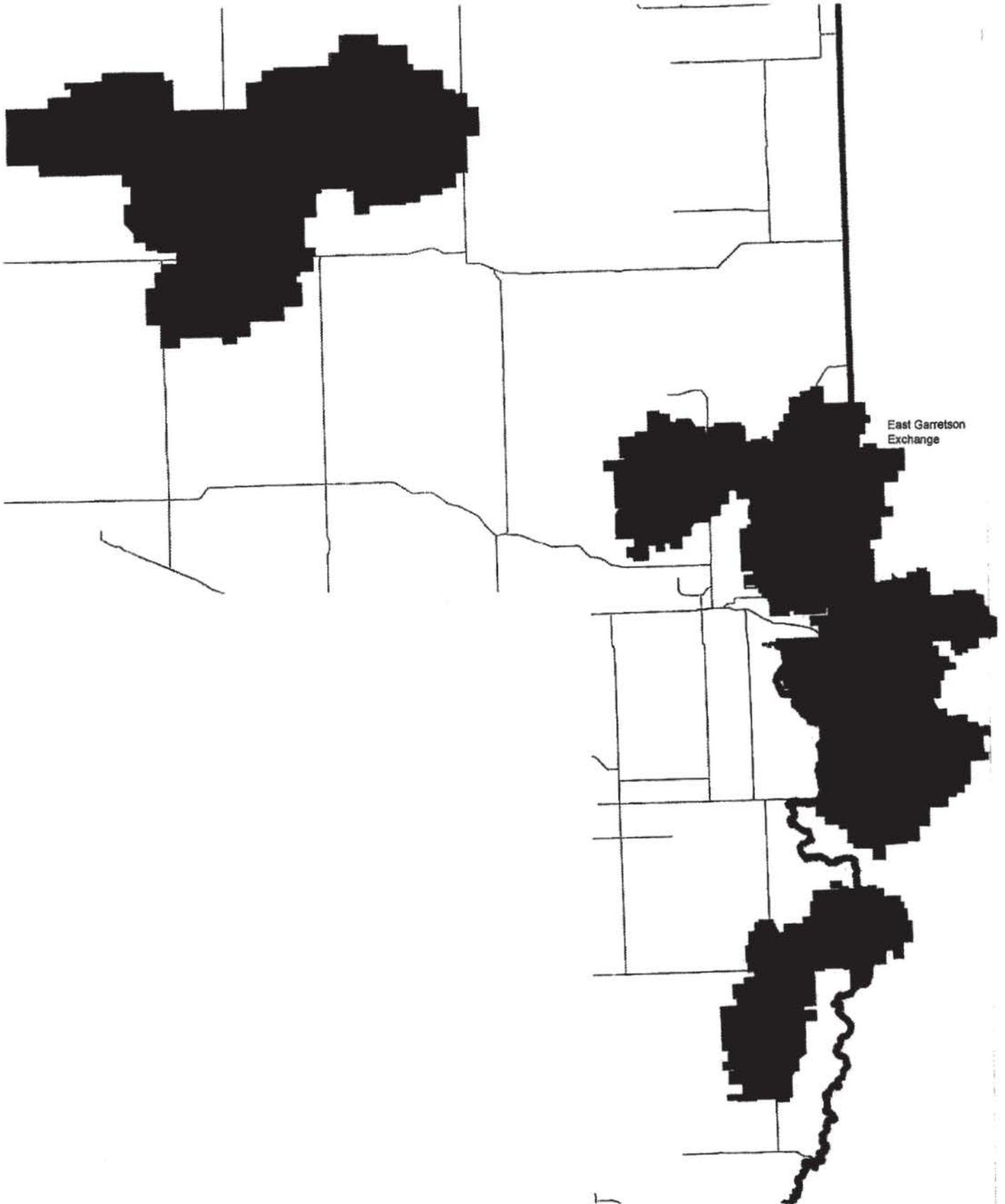
REDACTED – FOR PUBLIC INSPECTION

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. Expenditures are not tracked at the wire center or census block level and are reported here on a total service area basis. 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.

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Alliance Communications Cooperative, Inc. - Study Areas 391642, 351405, 361405, 391405, 391657



Received & Inspected

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REDACTED – FOR PUBLIC INSPECTION

(361405) Alliance Communications Cooperative, Inc.-Hills, MN

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 | \$ | |
| Safety Valve Loop Cost Adjustment | \$ | |
| CAF-ICC | \$ | |
| TOTAL | | |

Expenditures For Provision, Maintenance, and
Supported By Federal Universal Service Fund

and Services

| | | 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 Ret | \$ | |
| Additions/Capx | | |
| Transmission Equipment (Acct 2230) | | |
| Cable and wire (Acct 2410) | | |
| Total | \$ | |
| Total Supported Expenditures, Before Return | \$ | |

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. Expenditures are not tracked at the wire center or census block level and are reported here on a total service area basis. 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.

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It is estimated that [REDACTED] of universal service funding received in 2014 was used improve *service capacity* at wire centers 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. Expenditures are not tracked at the wire center or census block level and are reported here on a total service area basis. 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.

Alliance Communications Cooperative, Inc. - Study Areas 391642, 351405, 361405, 391405, 391657

