

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, subject to federal laws and regulations regarding confidential information, will be treated as confidential. BORROWER NAME Colton 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, 2011	BORROWER DESIGNATION OR0521
--	---------------------------------	--------------------------------

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

Stephanie Sauvageau

3/28/2012

DATE

PART A. BALANCE SHEET

	BALANCE PRIOR YEAR	BALANCE END OF PERIOD		BALANCE PRIOR YEAR	BALANCE END OF PERIOD
ASSETS			LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	246,477	405,761	25. Accounts Payable	124,749	81,639
2. Cash-RUS Construction Fund	63,410	63,410	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments		
a. Telecom, Accounts Receivable	26,160	23,310	28. Customer Deposits	3,789	3,588
b. Other Accounts Receivable	128,106	110,822	29. Current Mat. L/T Debt	217,925	230,175
c. Notes Receivable	116,060	111,925	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	37,791	78,946
5. Interest and Dividends Receivable			35. Total Current Liabilities (25 thru 34)	384,254	394,348
6. Material-Regulated	20,916	18,830	LONG-TERM DEBT		
7. Material-Nonregulated	40,448	39,726	36. Funded Debt-RUS Notes	733,667	685,916
8. Prepayments	42,837	41,024	37. Funded Debt-RTB Notes		
9. Other Current Assets			38. Funded Debt-FFB Notes	357,669	175,672
10. Total Current Assets (1 Thru 9)	684,414	814,808	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. Reacquired 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	0	0
b. Nonrural Development	659,692	639,828	46. Total Long-Term Debt (36 thru 45)	1,091,336	861,588
13. Nonregulated Investments	350,498	286,378	OTHER LIAB. & DEF. CREDITS		
14. Other Noncurrent Assets			47. Other Long-Term Liabilities	46,548	46,548
15. Deferred Charges			48. Other Deferred Credits		
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
17. Total Noncurrent Assets (11 thru 16)	1,010,190	926,206	50. Total Other Liabilities and Deferred Credits (47 thru 49)	46,548	46,548
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	7,561,265	7,604,878	51. Cap. Stock Outstand. & Subscribed		
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction		25,463	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	4,223,507	4,645,467	55. Other Capital		
23. Net Plant (18 thru 21 less 22)	3,337,758	2,984,874	56. Patronage Capital Credits	3,510,224	3,423,404
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins		
	5,032,362	4,725,888	58. Total Equity (51 thru 57)	3,510,224	3,423,404
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	5,032,362	4,725,888

Total Equity = 72.44% % of Total Assets

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

OR0521

PERIOD ENDING

December, 2011

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	680,166	623,312
2. Network Access Services Revenues	1,618,772	1,665,849
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues	21,701	19,456
5. Miscellaneous Revenues	61,433	65,084
6. Uncollectible Revenues	1,938	(2,155)
7. Net Operating Revenues (1 thru 5 less 6)	2,380,134	2,375,856
8. Plant Specific Operations Expense	565,018	588,417
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	79,207	77,582
10. Depreciation Expense	435,555	425,851
11. Amortization Expense	0	
12. Customer Operations Expense	125,200	112,489
13. Corporate Operations Expense	825,819	883,524
14. Total Operating Expenses (8 thru 13)	2,030,799	2,087,863
15. Operating Income or Margins (7 less 14)	349,335	287,993
16. Other Operating Income and Expenses		
17. State and Local Taxes	150	150
18. Federal Income Taxes		
19. Other Taxes	57,406	55,301
20. Total Operating Taxes (17+18+19)	57,556	55,451
21. Net Operating Income or Margins (15+16-20)	291,779	232,542
22. Interest on Funded Debt	94,150	63,136
23. Interest Expense - Capital Leases		
24. Other Interest Expense	16	12
25. Allowance for Funds Used During Construction		
26. Total Fixed Charges (22+23+24-25)	94,166	63,148
27. Nonoperating Net Income	(12,979)	(6,746)
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	(66,130)	(80,308)
31. Total Net Income or Margins (21+27+28+29+30-26)	118,504	82,340
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	118,504	82,340
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	0	0
40. Patronage Capital Beginning-of-Year	3,452,772	3,510,224
41. Transfers to Patronage Capital	118,504	82,340
42. Patronage Capital Credits Retired	61,052	169,160
43. Patronage Capital End-of-Year (40+41-42)	3,510,224	3,423,404
44. Annual Debt Service Payments	538,689	280,634
45. Cash Ratio [(14+20-10-11) / 7]	0.6944	0.7229
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9170	0.9287
47. TIER [(31+26) / 26]	2.2585	2.3039
48. DSCR [(31+26+10+11) / 44]	1.2033	2.0359

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

OR0521

PERIOD ENDED

December, 2011

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Colton	28.60	16.50	107	849	956	170.00	19.24
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			107	849	956	170.00	19.24
No. Exchanges	1						

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

OR0521

PERIOD ENDED

December, 2011

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)
Colton	956	714	359	768	384	34.95	StandAlone	DSL
Total	956	714						

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION OR0521
	PERIOD ENDING December, 2011

INSTRUCTIONS- See RUS Bulletin 1744-2

PART D. SYSTEM DATA

1. No. Plant Employees 4	2. No. Other Employees 5	3. Square Miles Served 62	4. Access Lines per Square Mile 15.42	5. Subscribers per Route Mile 5.62
-----------------------------	-----------------------------	------------------------------	--	---------------------------------------

PART E. TOLL DATA

1. Study Area ID Code(s) a. 803670 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	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	0
2. Other Long-Term Loan Funds Expended	0
3. Funds Expended Under RUS Interim Approval	0
4. Other Short-Term Loan Funds Expended	0
5. General Funds Expended (Other than Interim)	72,969
6. Salvaged Materials	0
7. Contribution in Aid to Construction	0
8. Gross Additions to Telecom. Plant (1 thru 7)	72,969

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

OR0521

PERIOD ENDING

December, 2011

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	11.40%
2. Land and support assets - Aircraft	11.40%
3. Land and support assets - Special purpose vehicles	11.40%
4. Land and support assets - Garage and other work equipment	7.50%
5. Land and support assets - Buildings	3.60%
6. Land and support assets - Furniture and Office equipment	7.23%
7. Land and support assets - General purpose computers	15.00%
8. Central Office Switching - Digital	14.30%
9. Central Office Switching - Analog & Electro-mechanical	6.30%
10. Central Office Switching - Operator Systems	6.30%
11. Central Office Transmission - Radio Systems	6.30%
12. Central Office Transmission - Circuit equipment	10.60%
13. Information origination/termination - Station apparatus	10.60%
14. Information origination/termination - Customer premises wiring	10.60%
15. Information origination/termination - Large private branch exchanges	10.60%
16. Information origination/termination - Public telephone terminal equipment	10.60%
17. Information origination/termination - Other terminal equipment	10.60%
18. Cable and wire facilities - Poles	6.00%
19. Cable and wire facilities - Aerial cable - Metal	5.80%
20. Cable and wire facilities - Aerial cable - Fiber	5.80%
21. Cable and wire facilities - Underground cable - Metal	4.60%
22. Cable and wire facilities - Underground cable - Fiber	5.30%
23. Cable and wire facilities - Buried cable - Metal	5.30%
24. Cable and wire facilities - Buried cable - Fiber	4.80%
25. Cable and wire facilities - Conduit systems	2.00%
26. Cable and wire facilities - Other	5.30%

USDA-RUS

BORROWER DESIGNATION

OR0521

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

PERIOD ENDED

December, 2011

INSTRUCTIONS – See help in the online application.

PART I – STATEMENT OF CASH FLOWS

1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)	309,887
CASH FLOWS FROM OPERATING ACTIVITIES	
2. Net Income	82,340
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>	
3. Add: Depreciation	425,851
4. Add: Amortization	0
5. Other (Explain)	
<i>Changes in Operating Assets and Liabilities</i>	
6. Decrease/(Increase) in Accounts Receivable	20,134
7. Decrease/(Increase) in Materials and Inventory	2,808
8. Decrease/(Increase) in Prepayments and Deferred Charges	1,813
9. Decrease/(Increase) in Other Current Assets	0
10. Increase/(Decrease) in Accounts Payable	(43,110)
11. Increase/(Decrease) in Advance Billings & Payments	0
12. Increase/(Decrease) in Other Current Liabilities	41,155
13. Net Cash Provided/(Used) by Operations	530,991
CASH FLOWS FROM FINANCING ACTIVITIES	
14. Decrease/(Increase) in Notes Receivable	4,135
15. Increase/(Decrease) in Notes Payable	0
16. Increase/(Decrease) in Customer Deposits	(201)
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	(217,498)
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	0
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	0
20. Less: Payment of Dividends	0
21. Less: Patronage Capital Credits Retired	(169,160)
22. Other (Explain)	
23. Net Cash Provided/(Used) by Financing Activities	(382,724)
CASH FLOWS FROM INVESTING ACTIVITIES	
24. Net Capital Expenditures (Property, Plant & Equipment)	(69,076)
25. Other Long-Term Investments	83,984
26. Other Noncurrent Assets & Jurisdictional Differences	0
27. Other (Explain) Retirement of Plant, net of Salvage	(3,891)
28. Net Cash Provided/(Used) by Investing Activities	11,017
29. Net Increase/(Decrease) in Cash	159,284
30. Ending Cash	469,171

Revision Date 2010

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION OR0521
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2011
NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION OR0521
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2011
CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	