



September 23, 2013

**VIA ECFS**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

Austin, TX  
5929 Balcones Drive, Suite 200  
Austin, TX 78731-4280  
Phone: 512.343.2544  
Fax: 512.343.0119

RE: **WC Docket Nos. 10-90 and 11-42**  
**Annual Report Pursuant to 47 C.F.R. §§ 54.313 and 54.422**

Dear Ms. Dortch:

Livingston Telephone Company, by its authorized representative, files its FCC Form 481 - Carrier Annual Reporting Data Collection Form in compliance with 47 C.F.R. §§ 54.313 and Section 54.422.

The FCC Form 481 has been completed, certified, and submitted to the Universal Service Administrative Company.

A redacted version of the financial information required by §54.313(f)(2) has been included with the FCC Form 481 filed through the Commission's Electronic Comment Filing System. Pursuant to the Protective Order released November 16, 2012 (FCC Record DA 12-1857), and in accordance with the Commission's confidentiality rules, paper copies of the non-redacted and redacted financial information are also being submitted to the Commission with a request for confidentiality, under separate cover. This information is competitively sensitive and is not normally released to the public.

A copy of the FCC Form 481 is also being submitted to the state regulatory commission pursuant to §§ 54.313(i) and 54.422(c).

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jean Langkop".

Jean Langkop  
Authorized Representative for  
Livingston Telephone Company

JL/pjf

Attachment

cc: Mr. Curtis G. Walzel, Livingston Telephone Company

<b>FCC Form 481 - Carrier Annual Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	442107
<015> Study Area Name	LIVINGSTON TEL CO
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Gene Ainsworth
<035> Contact Telephone Number: Number of the person identified in data line <030>	936 327-4309
<039> Contact Email Address: Email of the person identified in data line <030>	gene.ainsworth@livingston.net

<b>ANNUAL REPORTING FOR ALL CARRIERS</b>	54.313 Completion Required	54.422 Completion Required
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			(check box when complete)	
<100> Service Quality Improvement Reporting	<i>(complete attached worksheet)</i>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<200> Outage Reporting (voice)	<i>(complete attached worksheet)</i>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report				
<300> Unfulfilled Service Requests (voice)	0		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<310> Detail on Attempts (voice)	<i>(attach descriptive document)</i>		<input type="checkbox"/>	<input type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)			<input type="checkbox"/>	<input type="checkbox"/>
<330> Detail on Attempts (broadband)	<i>(attach descriptive document)</i>		<input type="checkbox"/>	<input type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	0.0			
<420> Mobile				
<430> Number of Complaints per 1,000 customers (broadband)			<input type="checkbox"/>	<input type="checkbox"/>
<440> Fixed				
<450> Mobile				
<500> Service Quality Standards & Consumer Protection Rules Compliance	<i>(check to indicate certification)</i>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> 442107tx510	<i>(attached descriptive document)</i>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	<i>(check to indicate certification)</i>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> 442107tx610	<i>(attached descriptive document)</i>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	<i>(complete attached worksheet)</i>		<input type="checkbox"/>	<input type="checkbox"/>
<710> Company Price Offerings (broadband)	<i>(complete attached worksheet)</i>		<input type="checkbox"/>	<input type="checkbox"/>
<800> Operating Companies and Affiliates	<i>(complete attached worksheet)</i>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)?	<input type="radio"/> <input checked="" type="radio"/>	<i>(if yes, complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1000> Voice Services Rate Comparability	<i>(check to indicate certification)</i>		<input type="checkbox"/>	<input type="checkbox"/>
<1010>	<i>(attach descriptive document)</i>		<input type="checkbox"/>	<input type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)?	<input checked="" type="radio"/> <input type="radio"/>	<i>(if not, check to indicate certification)</i>	<input type="checkbox"/>	<input type="checkbox"/>
<1110>	<i>(complete attached worksheet)</i>		<input type="checkbox"/>	<input type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	<i>(complete attached worksheet)</i>		<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet**

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

<2000>	<i>(check to indicate certification)</i>		<input type="checkbox"/>	<input type="checkbox"/>
<2005>	<i>(complete attached worksheet)</i>		<input type="checkbox"/>	<input type="checkbox"/>

**Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet**

<3000>	<i>(check to indicate certification)</i>		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<3005>	<i>(complete attached worksheet)</i>		<input checked="" type="checkbox"/>	<input type="checkbox"/>

**(100) Service Quality Improvement Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	442107
<015>	Study Area Name	LIVINGSTON TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Gene Ainsworth
<035>	Contact Telephone Number - Number of person identified in data line <030>	936 327-4309
<039>	Contact Email Address - Email Address of person identified in data line <030>	gene.ainsworth@livingston.net
<110>	Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
<111>	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

\_\_\_\_\_  
Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

- <113> Maps detailing progress towards meeting plan targets
- <114> Report how much universal service (USF) support was received
- <115> How (USF) was used to improve service quality
- <116> How (USF) was used to improve service coverage
- <117> How (USF) was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.

<input type="checkbox"/>









<b>(900) Tribal Lands Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	442107
<015>	Study Area Name	LIVINGSTON TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Gene Ainsworth
<035>	Contact Telephone Number - Number of person identified in data line <030>	936 327-4309
<039>	Contact Email Address - Email Address of person identified in data line <030>	gene.ainsworth@livingston.net

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

\_\_\_\_\_  
Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select (Yes, No, NA)

**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	442107
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<039>	Contact Email Address - Email Address of person identified in data line <030>	gene.ainsworth@livingston.net

<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G)

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G)

<b>(1200) Terms and Condition for Lifeline Customers</b> <b>Lifeline</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	442107
<015>	Study Area Name	LIVINGSTON TEL CO
<020>	Program Year	2014
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<039>	Contact Email Address - Email Address of person identified in data line <030>	gene.ainsworth@livingston.net

<1210> Terms & Conditions of Voice Telephony Lifeline Plans 442107TX1210  
Name of attached document (.pdf)

<1220> Link to Public Website HTTP \_\_\_\_\_

“Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,
- <1222> Details on the number of minutes provided as part of the plan,
- <1223> Additional charges for toll calls, and rates for each such plan.

<b>(2000) Price Cap Carrier Additional Documentation</b> <b>Data Collection Form</b> <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	442107
<015>	Study Area Name	LIVINGSTON TEL CO
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Gene Ainsworth
<035>	Contact Telephone Number - Number of person identified in data line <030>	936 327-4309
<039>	Contact Email Address - Email Address of person identified in data line <030>	gene.ainsworth@livingston.net

**CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.**

**Incremental Connect America Phase I reporting**

- |        |  |                          |
|--------|--|--------------------------|
| <2010> | 2nd Year Certification {47 CFR § 54.313(b)(1)} | <input type="checkbox"/> |
| <2011> | 3rd Year Certification {47 CFR § 54.313(b)(2)} | <input type="checkbox"/> |

**Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}**

- |        |  |                          |
|--------|--|--------------------------|
| <2012> | 2013 Frozen Support Certification            | <input type="checkbox"/> |
| <2013> | 2014 Frozen Support Certification            | <input type="checkbox"/> |
| <2014> | 2015 Frozen Support Certification            | <input type="checkbox"/> |
| <2015> | 2016 and future Frozen Support Certification | <input type="checkbox"/> |

**Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}**

- |        |   |                          |
|--------|---|--------------------------|
| <2016> | Certification Support Used to Build Broadband | <input type="checkbox"/> |
|--------|---|--------------------------|

**Connect America Phase II Reporting {47 CFR § 54.313(e)}**

- |        |  |  |
|--------|--|--|
| <2017> | 3rd year Broadband Service Certification   | <input type="checkbox"/>                                     |
| <2018> | 5th year Broadband Service Certification   | <input type="checkbox"/>                                     |
| <2019> | Interim Progress Certification   | <input type="checkbox"/>                                     |
| <2020> | Please check the box to confirm that the attached PDF , on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year. | <input type="checkbox"/>                                     |
| <2021> | Interim Progress Community Anchor Institutions   | Name of Attached Document Listing Required Information _____ |

<b>(3000) Rate Of Return Carrier Additional Documentation</b> <b>Data Collection Form</b>	FCC Form 481
	OMB Control No. 3060-0986/OMB Control No. 3060-0819
	July 2013

<010> Study Area Code	442107
<015> Study Area Name	LIVINGSTON TEL CO
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Gene Ainsworth
<035> Contact Telephone Number - Number of person identified in data line <030>	936 327-4309
<039> Contact Email Address - Email Address of person identified in data line <030>	gene.ainsworth@livingston.net

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

**Progress Report on 5 Year Plan**

<p>(3010) Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.</p>	<p>Name of Attached Document Listing Required Information</p>	<p><input type="checkbox"/></p>
<p>(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii)) (3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) (3014) If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)</p>	<p>Name of Attached Document Listing Required Information</p>	<p><input checked="" type="checkbox"/> (Yes/No) <input type="checkbox"/> (Yes/No)</p> <p><input type="checkbox"/> <input type="checkbox"/></p>
<p>(3015) PDF of Balance Sheet, Income Statement and Statement of Cash Flows (3016) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation (3017) If the response is no on line 3014, Is your company audited? If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:</p>	<p>Name of Attached Document Listing Required Information</p>	<p><input checked="" type="checkbox"/> (Yes/No)</p>
<p>(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications (3020) PDF of Balance Sheet, Income Statement and Statement of Cash Flows</p>	<p></p>	<p><input checked="" type="checkbox"/> <input checked="" type="checkbox"/></p>
<p>(3021) Management letter issued by the independent certified public accountant that performed the company's financial audit. If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers, (3022) Underlying information subjected to a review by an independent certified public accountant (3023) Underlying information subjected to an officer certification. (3024) PDF of Balance Sheet, income Statement and Statement of Cash Flows (3025) Attach the worksheet listing required information</p>	<p>Name of Attached Document Listing Required Information</p>	<p><input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p>
<p>(3026)</p>	<p>Name of Attached Document Listing Required Information</p>	<p>442107tx3026</p>

<b>Certification - Reporting Carrier Data Collection Form</b>	FCG Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<b>&lt;010&gt;</b>	Study Area Code	442107
<b>&lt;015&gt;</b>	Study Area Name	LIVINGSTON TEL CO
<b>&lt;020&gt;</b>	Program Year	2014
<b>&lt;030&gt;</b>	Contact Name - Person USAC should contact regarding this data	Gene Ainsworth
<b>&lt;035&gt;</b>	Contact Telephone Number - Number of person identified in data line <030>	936 327-4309
<b>&lt;039&gt;</b>	Contact Email Address - Email Address of person identified in data line <030>	gene.ainsworth@livingston.net

**TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:**

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481
	OMB Control No. 3060-0986/CMB Control No. 3060-0819 July 2013

<010> Study Area Code	442107
<015> Study Area Name	LIVINGSTON TEL CO
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Gene Ainsworth
<035> Contact Telephone Number - Number of person identified in data line <030>	936 327-4309
<039> Contact Email Address - Email Address of person identified in data line <030>	gene.ainsworth@livingston.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Jean Langkop</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	Jean Langkop
Name of Reporting Carrier:	LIVINGSTON TEL CO
Signature of Authorized Officer:	CERTIFIED ONLINE Date: 09/19/2013
Printed name of Authorized Officer:	CURT WALZEL
Title or position of Authorized Officer:	President
Telephone number of Authorized Officer:	936 327-4309
Study Area Code of Reporting Carrier:	442107 Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	LIVINGSTON TEL CO
Name of Authorized Agent or Employee of Agent:	Jean Langkop
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE Date: 09/19/2013
Printed name of Authorized Agent or Employee of Agent:	Jean Langkop
Title or position of Authorized Agent or Employee of Agent:	Director - Business Compliance
Telephone number of Authorized Agent or Employee of Agent:	512 343-2544
Study Area Code of Reporting Carrier:	442107 Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

## Attachments



## **LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE**

Livingston Telephone Company (the Company) complies with applicable service quality standards and consumer protection rules as required by the state regulatory commission and the Federal Communications Commission.

The rates, terms, and conditions under which the Company operates are outlined in its Customer Services Tariff, which is approved by the Public Utility Commission of Texas (PUC). The Company's tariff contains provisions regarding its customer service and protection practices, including resolving disputes with the Company, applying for service, the classification of business and residential rates, deposits, billing and payment for service, refusal, disconnection and cancellation of service. The tariff is available for customer review in the Business Office, as requested. Rates and terms of service are disclosed to customers upon application for service both verbally and in writing as part of a packet of information for new customers. Rates, applications and certain terms of service are also available on the Company's website.

Service quality standards are established by the PUC and the Company consistently meets or exceeds the standards and provides reports to the state commission, in accordance with the state commission's rules.

The protection of customers' privacy and information is of utmost importance and the Company has a policy and established operating procedures that comply with the FCC's Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011). Certification of the Company's compliance with CPNI rules and a description of the Company's operating procedures that ensure compliance are filed at the FCC annually.

## **LINE 610 - ABILITY TO FUNCTION IN EMERGENCY SITUATIONS**

Livingston Telephone Company (the Company) is able to function in emergency situations. The Company has a reasonable amount of back-up power to ensure functionality without an external power source. Standby power generators are supplied at the central office, remote switch sites, and repeater sites to ensure functionality without an external power source until power is restored. The network is capable of managing traffic spikes resulting from emergency situations.

The Company is able to reroute traffic around damaged facilities. Although the Company's ability to reroute traffic around damaged facilities is not absolute and may be limited in certain circumstances, there is a restoration plan in place for expeditious recovery of service, including splicing of damaged facilities when warranted.

## Line 1210 – Terms & Conditions of Voice Telephony Lifeline Plans

Livingston Telephone Company (the Company) offers Lifeline subscribers federal and state Lifeline discounts to a stand-alone residential local exchange access line rate of \$11.73 and Subscriber Line Charge of \$6.50. The local exchange access line rate includes an unlimited amount of local calling minutes. Additional charges for toll calls associated with the stand-alone residential access line are billed at the rates of the long distance carrier chosen by the subscriber. There are no additional voice telephony plans offered although a Lifeline customer may subscribe to other services such as custom calling features at the standard rates offered to all customers. Attached are pages from the Company's Customer Service Tariff describing terms and conditions.

**CUSTOMER SERVICES TARIFF**

**4. LOCAL EXCHANGE SERVICE**

**4.1 GENERAL**

The rates and charges listed in this Section apply to Local Exchange Services of the Livingston Telephone Company, Inc., herein referred to as the Company, in its exchanges as specified on the Company's exchange service area maps as approved and on file with the Public Utility Commission of Texas.

The telecommunications services listed in this Section are subject to the rates, charges, rules and regulations of the Customer Services Tariff as it now exists or as it may be revised, added to or supplemented by superseding issues that are made a part of the Customer Services Tariff.

This tariff cancels and supersedes all other Local Exchange Service Tariffs issued and effective prior to the effective date of these tariffs.

**4.1.1 Provision of Service**

The types of service offered in each exchange can be determined by the appropriate rate schedules subject to the following:

The Company provides one and two party service without a mileage charge within the Base Rate Area. One and two party service is offered outside the Base Rate Area and within the certificated area of the exchange with an additional monthly mileage charge measured from the Base Rate Area boundary. Rural Four-party service is offered outside the Base Rate Area and within the certificated area of the exchange with an additional monthly mileage charge as shown in Section 8.5.4, Exchange Rural Service. Applications for party-line service are accepted subject to the conditions set forth in Section 3, Use of Multi-Party line Service.

**4.1.2 Application of Rates and Charges**

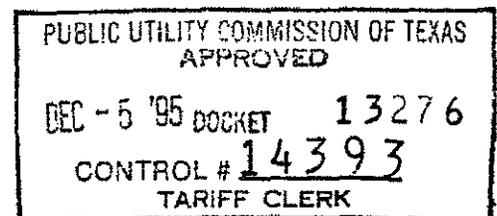
Local exchange service rates and charges as specified in this Section are for basic local exchange service and facilities only. The rates for other ancillary services not specifically shown in this Section are presented in other Sections of this tariff.

Unless otherwise specified, the Rates and Charges quoted in this Section are for periods of one month, payable in advance and provide unlimited flat rate calling within the exchange area. Where Extended Area Service (EAS) is provided, the monthly local exchange service rate includes all EAS charges and provides unlimited calling within the home exchange and all other exchanges as specified in the Extended Area Service calling scope.

Issued: November 3, 1995

Effective:

Curt Walzel, Vice President-General Manager  
701 W. Church St.  
Livingston, TX 77351-3198



CUSTOMER SERVICES TARIFF

4. LOCAL EXCHANGE SERVICE

4.2 LOCAL EXCHANGE SERVICE RATES

4.2.1 Business Monthly Local Exchange Access Services Rates (2)

Exchange (NPA-NXX) <u>EAS Exchange(s):</u>	1-Pty Access <u>Line</u>	Rot. Key <u>Trunk</u>	PBX <u>Trunk</u>
	(3)	(3)	(3)
Livingston (936-327-328, 329, 425)	\$20.31	\$27.70	\$27.70

Blanchard (936-967), Goodrich (936-365), Onalaska (936-646), Ruby (936-563) and Segno (936-685) Exchanges of the Eastex Telephone Cooperative, Inc. and the Memorial Point (936-566) Exchange of the Lake Livingston Telephone Co.

4.2.2 Residence Monthly Local Exchange Access Services Rates (2)

Exchange (NPA-NXX) <u>EAS Exchange(s):</u>	1-Pty Access <u>Line</u>	4-Pty Access <u>Line</u>
	(3)	(1)
Livingston (936-327, 328, 329, 425)	\$11.73	\$8.78

Blanchard (936-967), Goodrich (936-365), Onalaska (936-646), Ruby (936-563) and Segno (936-685) Exchange of the Eastex Telephone Cooperative, Inc. and the Memorial Point (936-566) Exchange of the Lake Livingston Telephone Co.

- (1) Obsolete rate applicable to existing customers outside the Base Rate Area only.
- (2) See Section 8.5.4 for applicable Exchange Rural Service Charges.
- (3) Includes Tone Dialing Service.

PUBLIC UTILITY COMMISSION OF TEXAS  
APPROVED

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**CUSTOMER SERVICES TARIFF**

**4. LOCAL EXCHANGE SERVICE**

**4.5 LIFELINE PROGRAM**

**4.5.1 General**

- A. The Lifeline Program is a retail local service offering designed to make telephone service available at reduced rates to qualifying low-income customers.
- B. A qualifying low-income customer subscribing to the Lifeline Program shall receive federal and state reduction to their monthly tariffed residential local exchange access line rate.
- C. Nothing in this section shall prohibit a customer who is otherwise eligible for the Lifeline Program from obtaining and using telecommunications equipment and services designed to aid such customer in utilizing qualifying telecommunications services.
- D. Lifeline Program reductions do not apply to surcharges, taxes, long distance service, 976 and other information related telecommunications services, and optional services such as custom calling features. Customers may obtain these services, where available, at their discretion.
- E. The Lifeline Program rate reductions do not apply to service connection charges.

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Issued: April 4, 2012

Curt Walzel, Vice President-General Manager  
701 W. Church Street  
Livingston, TX 77351-3198

Effective: April 2, 2012

**CUSTOMER SERVICES TARIFF**

**4. LOCAL EXCHANGE SERVICE**

**4.5 LIFELINE PROGRAM (Continued)**

**4.5.1 General (Continued)**

- F. The Company may not disconnect the service of a Lifeline Program customer for the non-payment of toll charges. However, the Company reserves the right to implement toll blocking, at no charge, if the customer incurs a significant balance of unpaid toll bills. The Company will inform the customer, by direct mail, of this change to their service due to the customer's non-payment of toll charges. Upon the customer's payment of all outstanding toll charges, the Company shall remove mandatory toll blocking at no charge. T
- G. Upon subscribing to the Lifeline Program, a customer will be offered a subscription, at no charge, to toll blocking service (in exchanges where technically available) which denies the customer access to the long distance telecommunications network; however, the customer is under no obligation to accept the subscription to toll blocking. T
- H. Lifeline Program rate reductions will not be available on a retroactive basis unless approved by the Public Utility Commission of Texas or the Low-Income Discount Administrator (LIDA). T

**4.5.2 Designated Lifeline Program Services**

The Company shall offer voice telephony services that provide the following functionalities as designated, Lifeline Program services: T

- A. Voice grade access to the public switched network or its functional equivalent
- B. Minutes of use for local service provided at no additional charge to the customer
- C. Access to emergency services
- D. Toll blocking service T

**CUSTOMER SERVICES TARIFF**

**4. LOCAL EXCHANGE SERVICE**

4.5 LIFELINE PROGRAM (Continued)

4.5.3 Eligibility Requirement

A. Qualifying (Eligible) Customer Criteria

An eligible customer shall be defined as an individual whose annual household income is at or below 150% of the federal poverty guidelines or in whose household resides a person who receives or has a child who receives benefits from at least one of the following programs:

1. Medicaid
2. Food Stamps (Supplemental Nutrition Assistance Program) T
3. Supplemental Security Income (SSI)
4. Federal Public Housing Assistance (FPHA)
5. Low-Income Heat and Energy Assistance Program (LIHEAP)
6. Health benefits coverage under the state Children's Health Insurance Program (CHIP)
7. National School Lunch Program's Free Lunch Program N
8. Temporary Assistance for Needy Families N

The Lifeline Program rate reductions will be provided to each eligible customer. The Low-Income Discount Administrator (LIDA) will provide a list of eligible customers to the Company each month.

B. Obligations of the Customers

1. Customers whose annual household income is at or below 150% of the federal poverty guidelines or who participate in FPHA or LIHEAP programs may self-enroll for Lifeline Program benefits by completing an application form and returning it to LIDA. LIDA will send a blank application upon customer request. LIDA can be reached at 1-866-4LITEUP. Current customers receiving benefits under Medicaid, Food Stamps, SSI or CHIP will be subject to the Lifeline Program automatic enrollment procedures as provided by the LIDA unless they provide a written request to the LIDA to be excluded from the Lifeline Program.
2. A customer who is eligible for the Lifeline Program but does not have telephone service at the time the LIDA provides its eligibility list to the company, shall be responsible for initiating a request for the Lifeline Program from the Company.

C. Obligations of the Company

1. LIDA will provide a list of eligible customers to the Company on a monthly basis. Upon receipt of the list, the Company shall begin reduced billing for those customers within 30 days.

Issued: April 4, 2012

Effective: June 1, 2012

Curt Walzel, President  
701 W. Church Street  
Livingston, TX 77351-3198

CUSTOMER SERVICES TARIFF

4. LOCAL EXCHANGE SERVICE

4.5 LIFELINE PROGRAM (Continued)

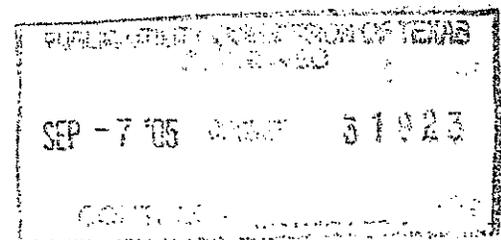
4.5.3 Eligibility Requirement (Continued)

D. Discontinuance of Service

1. Discontinuance of Lifeline Discounts for customers automatically enrolled: The eligibility period for automatically enrolled customers is the length of their enrollment in Texas Health and Human Services Commission (THHSC) benefits plus a period of 60 days for renewal. Automatically enrolled customers will have an opportunity to renew their THHSC benefits or self-enrollment with LIDA upon the expiration of their automatic enrollment. T
2. Discontinuance of Lifeline Discounts for customers who have self-enrolled: Individuals not receiving benefits through THHSC programs, but who have met Lifeline income qualifications, are eligible to receive the Lifeline Discount for seven months, which includes a period of 60 days during which the customer may renew their eligibility with LIDA for an additional seven months. T

4.5.4 Deposit and Credit Requirements

- A. The Company shall be prohibited from charging a service deposit in order to initiate the Lifeline Program if the eligible customer voluntarily elects to receive toll blocking.
- B. The Company may charge a service deposit if the eligible customer denies subscription to toll blocking upon subscribing to the Lifeline Program.



Issued: October 18, 2005

Curt Walzel, President  
701 W. Church Street  
Livingston, TX 77351-3198

Effective: Upon Approval

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**CUSTOMER SERVICES TARIFF**

**4. LOCAL EXCHANGE SERVICE**

4.5 LIFELINE PROGRAM (Continued)

4.5.4 Deposit and Credit Requirements (Continued)

C. In instances where the Company may require a service deposit, the same credit verification procedures and deposit regulations used for all applicants who apply for service with the Company are also applicable to eligible customers for the Lifeline Program.

4.5.5 Service Connection Charges

A. Service connection charges do not apply to eligible customers with existing, qualifying service converting to the Lifeline Program.

B. Service Connection charges do apply when:

1. Existing eligible customer requests additional non-qualifying services at the time Lifeline Program reduced billing is initiated.
2. New customers (those without existing local exchange access service) eligible for the Lifeline Program establish service.
3. Customers make subsequent moves or changes after the initial connection to Lifeline Program.

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Issued: April 4, 2012

Curt Walzel, Vice President-General Manager  
701 W. Church Street  
Livingston, TX 77351-3198

Effective: April 2, 2012

CUSTOMER SERVICES TARIFF

4. LOCAL EXCHANGE SERVICE

4.5 LIFELINE PROGRAM (Continued)

4.5.6 Lifeline Program Rate Reduction

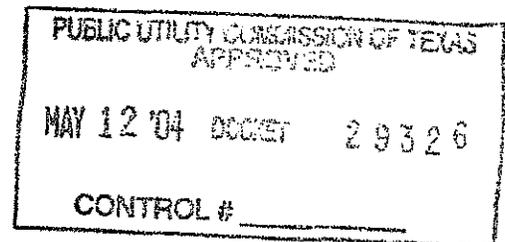
A. Implementation

The Company shall provide reduced billing for all Lifeline Program eligible customers within its service area in accordance with the Commission's Substantive Rules.

In instances where a customer inquires about participation in the Lifeline Program, the Company shall provide contact information for LIDA.

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Issued: May 6, 2004

Curt Walzel, Vice President-General Manager  
701 W. Church Street  
Livingston, TX 77351-3198

Effective: Upon Approval

**CUSTOMER SERVICES TARIFF**

**4. LOCAL EXCHANGE SERVICE**

4.5 LIFELINE PROGRAM (Continued)

4.5.6 Lifeline Program Rate Reduction (Continued)

B. Amounts

The Company shall apply Lifeline Program rate reductions, per eligible customer, as described below.

	<u>Monthly Rate Reduction</u>
a. Federal Reduction applied to Federal Subscriber Line Charge and Residential Local Exchange Access Line Charge	47.C.F.R Section 54.403
b. Maximum State Reduction to Residential Local Exchange Access Line Rate	\$3.50

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Issued: April 4, 2012

Curt Walzel, Vice President-General Manager  
701 W. Church Street  
Livingston, TX 77351-3198

Effective: April 2, 2012

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**Independent Auditor's Report**

**The Board of Directors  
Livingston Telephone Company  
Livingston, Texas**

***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of Livingston Telephone Company, which comprise the balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Livingston Telephone Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Comparative Financial Statements***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The comparative balance sheets, statements of operations, and cash flows on pages 18 through 25, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Curtis Blahely + Co, P.C.*  
Longview, Texas

May 2, 2013

LIVINGSTON TELEPHONE COMPANY  
CONSOLIDATED BALANCE SHEETS  
December 31

<b>Assets</b>	<u>2012</u>	<u>2011</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$	\$
Certificates of deposit		
Marketable securities		
Telecommunications accounts receivable		
Other accounts receivable		
Materials and supplies		
Prepaid income taxes		
Other prepayments		
<b>Total Current Assets</b>		
<b>Property, Plant, and Equipment:</b>		
Plant in service		
Less: Accumulated depreciation		
<b>Net Property, Plant, and Equipment</b>		
<b>Investments and Other Assets:</b>		
Investment in cellular partnership		
Other investments		
<b>Total Investments and Other Assets</b>		
<b>Total Assets</b>	\$	\$

(The accompanying notes are an integral part of these consolidated financial statements.)

**LIVINGSTON TELEPHONE COMPANY  
CONSOLIDATED BALANCE SHEETS  
December 31**

	<u>2012</u>	<u>2011</u>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$	\$
Accrued income taxes		
Other accrued liabilities		
Deferred income taxes		
Customer deposits		
<b>Total Current Liabilities</b>		
<b>Other Liabilities and Deferred Credits:</b>		
Deferred income taxes		
<b>Stockholders' Equity:</b>		
Capital stock - \$10 par value;		
1,000,000 shares authorized; 162,419		
shares issued, 161,456 and 161,330 outstanding		
Additional paid-in capital		
Retained earnings		
Accumulated other comprehensive income:		
Unrealized holding gain on marketable securities		
Treasury stock, 963 and 1,089 shares at cost		
<b>Total Stockholders' Equity</b>		
<b>Total Liabilities and Stockholders' Equity</b>	\$	\$

(The accompanying notes are an integral part of these consolidated financial statements.)

**LIVINGSTON TELEPHONE COMPANY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
For the Years Ended December 31**

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues:</b>		
Local network services	\$ [REDACTED]	\$ [REDACTED]
Network access services	[REDACTED]	[REDACTED]
Long distance network services	[REDACTED]	[REDACTED]
Cable TV revenues	[REDACTED]	[REDACTED]
Internet revenues	[REDACTED]	[REDACTED]
Television/radio station revenues	[REDACTED]	[REDACTED]
Miscellaneous	[REDACTED]	[REDACTED]
Less: Uncollectible expense	[REDACTED]	[REDACTED]
<b>Total Operating Revenues</b>	[REDACTED]	[REDACTED]
<b>Operating Expenses:</b>		
Plant specific operations	[REDACTED]	[REDACTED]
Plant nonspecific operations	[REDACTED]	[REDACTED]
Depreciation and amortization	[REDACTED]	[REDACTED]
Customer operations	[REDACTED]	[REDACTED]
Corporate operations	[REDACTED]	[REDACTED]
<b>Total Operating Expenses</b>	[REDACTED]	[REDACTED]
<b>Operating Taxes:</b>		
Income taxes	[REDACTED]	[REDACTED]
Other operating taxes	[REDACTED]	[REDACTED]
<b>Total Operating Taxes</b>	[REDACTED]	[REDACTED]
<b>Operating Income (Loss)</b>	[REDACTED]	[REDACTED]
<b>Nonoperating income:</b>		
Interest and dividend income	[REDACTED]	[REDACTED]
Proportionate share of partnership income	[REDACTED]	[REDACTED]
Gain on sale of partnership interest	[REDACTED]	[REDACTED]
Other nonoperating income (expense)	[REDACTED]	[REDACTED]
Income taxes	[REDACTED]	[REDACTED]
<b>Total Nonoperating Income</b>	[REDACTED]	[REDACTED]
<b>Net Income</b>	\$ [REDACTED]	\$ [REDACTED]

(The accompanying notes are an integral part of these consolidated financial statements.)

**LIVINGSTON TELEPHONE COMPANY  
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 For the Years Ended December 31**

	<u>2012</u>	<u>2011</u>
<b>Net Income</b>	\$ [REDACTED]	\$ [REDACTED]
<b>Other Comprehensive Income:</b>		
<b>Unrealized holding gains arising during period (net of income tax of \$39,531 and \$147,648)</b>	[REDACTED]	[REDACTED]
<b>Reclass Adjustment for Realized (Gains) Losses Included in Net Income (Net of Income Tax of \$54,119 and \$1,639)</b>	[REDACTED]	[REDACTED]
<b>Comprehensive Income</b>	\$ [REDACTED]	\$ [REDACTED]

(The accompanying notes are an integral part of these consolidated financial statements.)

**LIVINGSTON TELEPHONE COMPANY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**For the Years Ended December 31**

	<u>Capital Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>AOCI Gain (Loss)</u>	<u>Treasury Shares</u>	<u>Treasury Amount</u>
Balance, January 1, 2011	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]
Net Income			[REDACTED]			
Dividends			[REDACTED]			
Change in Holding Gain (Loss) on Marketable Securities, Net of Income Tax				[REDACTED]		
Sale/Distribution of Treasury Shares		[REDACTED]			[REDACTED]	[REDACTED]
Balance, December 31, 2011	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net Income			[REDACTED]			
Dividends			[REDACTED]			
Change in Holding Gain on Marketable Securities, Net of Income Tax				[REDACTED]		
Sale/Distribution of Treasury Shares		[REDACTED]			[REDACTED]	[REDACTED]
Balance, December 31, 2012	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	[REDACTED]	\$ [REDACTED]

(The accompanying notes are an integral part of these consolidated financial statements.)

**LIVINGSTON TELEPHONE COMPANY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	[REDACTED]	[REDACTED]
Partnership capital distributions received	[REDACTED]	[REDACTED]
Proportionate share of partnership income	[REDACTED]	[REDACTED]
Gain on sale of partnership interest	[REDACTED]	[REDACTED]
Commission on sale of partnership interest	[REDACTED]	[REDACTED]
Net gain on disposal of assets and marketable securities	[REDACTED]	[REDACTED]
Change in assets and liabilities:		
Accounts receivable	[REDACTED]	[REDACTED]
Inventory	[REDACTED]	[REDACTED]
Prepays	[REDACTED]	[REDACTED]
Accounts payable and accruals	[REDACTED]	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]
Total Adjustments	[REDACTED]	[REDACTED]
<b>Net Cash Provided by Operating Activities</b>	[REDACTED]	[REDACTED]
<b>Cash Flows from Investing Activities:</b>		
Proceeds from disposal of plant	[REDACTED]	[REDACTED]
Proceeds from sale of partnership interest	[REDACTED]	[REDACTED]
Capital expenditures	[REDACTED]	[REDACTED]
Plant removal cost	[REDACTED]	[REDACTED]
Sale of investments	[REDACTED]	[REDACTED]
Return of principal/maturity of investments	[REDACTED]	[REDACTED]
Purchase of marketable securities	[REDACTED]	[REDACTED]
Purchase of other investments	[REDACTED]	[REDACTED]
Net change in certificates of deposit	[REDACTED]	[REDACTED]
<b>Net Cash Provided by (Used in) Investing Activities</b>	[REDACTED]	[REDACTED]
<b>Cash Flows from Financing Activities:</b>		
Cash dividends	[REDACTED]	[REDACTED]
Sale/distribution of treasury stock	[REDACTED]	[REDACTED]
<b>Net Cash Used in Financing Activities</b>	[REDACTED]	[REDACTED]
<b>Net Increase in Cash and Cash Equivalents</b>	[REDACTED]	[REDACTED]
<b>Cash and Cash Equivalents at Beginning of Year</b>	[REDACTED]	[REDACTED]
<b>Cash and Cash Equivalents at End of Year</b>	\$ [REDACTED]	\$ [REDACTED]

(The accompanying notes are an integral part of these consolidated financial statements.)

**LIVINGSTON TELEPHONE COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2012

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**Note 1 – Summary of Significant Accounting Policies:**

**Basis of Presentation**

In this report, Livingston Telephone Company (Livingston) and its wholly-owned subsidiary, Telcom Supply, Inc. (Telcom) are collectively referred to as the “Company” or “we”.

We are an incumbent local exchange carrier which provides regulated landline telecommunications services in East Texas. We are regulated by the Public Utility Commission of Texas (PUC) and follow the Uniform System of Accounts prescribed by the Federal Communications Commission (FCC). Our regulated telephone operations are subject to the provisions of FASC Topic 980 – Regulated Operations, which requires the recognition of the economic effects of rate regulation. Accordingly, FASC Topic 980 requires us to depreciate telephone plant and equipment over useful lives as approved by regulators, which could be longer than the useful lives that would otherwise be determined by management. FASC Topic 980 also requires deferral of certain costs and obligations based upon approvals received from regulators to permit recovery of such amounts in the future. We continually review the applicability of FASC Topic 980 based upon the developments in the current regulatory and competitive environment. If we were to discontinue the application of FASC Topic 980, we would be required to write-off our regulatory assets and liabilities and would be required to adjust the carrying value of any property, plant, and equipment that would be deemed unrecoverable. We believe we continue to meet the criteria for accounting under FASC Topic 980 and that the carrying value of our property, plant, and equipment is recoverable in compliance with the Uniform System of Accounts prescribed by the FCC.

The consolidated financial statements include the accounts of Livingston and our wholly-owned subsidiary, Telcom. Telcom’s principal activity is the provision of Internet, cable television, and long distance services; sales, installation and leasing of customer premise equipment and security systems throughout East Texas; and the operation of a Television/Radio Station. Effective December 13, 2012, Telcom sold its interest in a cellular limited partnership.

All significant intra-entity transactions are eliminated in the consolidation process. Investments in entities which we do not control but have the ability to exercise significant influence, such as the cellular partnership, are accounted for under the equity method.

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Significant estimates reported in the financial statements are depreciation expense and network access revenues.

In 2011, we decreased Network Access Revenue by approximately [REDACTED] relative to changes in prior year estimates.

**Materials and Supplies**

Materials and supplies are carried principally at average original cost.

**Advertising**

We expense advertising costs as they are incurred. These expenses, which are insignificant, include media and other promotional and sponsorship costs.

**LIVINGSTON TELEPHONE COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2012

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**Note 1 – Summary of Significant Accounting Policies: (continued)**

**Property, Plant, and Equipment**

Telephone plant is stated substantially at original cost. Additions, replacements, and renewals of property determined to be units of property are charged to telephone plant accounts. The replacement of plant determined not to be a unit of property and the cost of maintenance and repairs are charged to operating expense. Normal retirements are charged in total to the accumulated depreciation accounts along with the cost of removal, less salvage, with no gain or loss recognized. Non-telephone property is stated at cost and, when sold or retired, a gain or loss is recognized. Depreciation expense is computed using the straight-line composite method based on estimated service lives ranging from 4 to 33 years. The service lives of regulated property are approved by the PUC. Depreciation expense was \$ [REDACTED] and \$ [REDACTED] for 2012 and 2011, respectively.

Property, plant, and equipment are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of the future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset's carrying value to determine if any impairment exists pursuant to the requirements of FASC Topic 360 – Property, Plant & Equipment. If the asset is determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value.

**Internal Use Software**

We capitalize software developed or obtained for internal use. These capitalized costs are included in property, plant, and equipment. Initial operating system software is amortized over the life of the associated hardware. Application software is amortized over a useful life of three years.

**Income Taxes**

We are subject to federal income taxes. Income taxes are provided based on earnings reported for financial statement purposes. The State of Texas franchise tax is an income tax based on modified gross revenue and referred to as the Margin Tax. We are subject to the Margin Tax.

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

FASC Topic 740 – Income Taxes requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The first step is recognition: we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. The second step is measurement: a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Differences between tax positions taken in a tax return and amounts recognized in the financial statements will generally result in one or more of the following: an increase in a liability for income taxes payable, a reduction of an income tax refund receivable, a reduction in a deferred tax asset, or an increase in a deferred tax liability.

**LIVINGSTON TELEPHONE COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2012

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**Note 1 – Summary of Significant Accounting Policies: (continued)**

**Revenue Recognition**

Revenues are recognized when earned. A portion of Livingston's interstate revenues are recorded in accordance with settlement agreements with various toll pools for average schedule companies and carrier access billings under tariff. We bill and keep intrastate access and long distance revenues. We also receive fixed monthly per access line amounts from the Texas Universal Service Fund (TUSF).

Revenues derived from local telephone service, internet services and video services are billed monthly in advance and are recognized the following month when services are provided. Other revenues derived from telecommunications services, principally long-distance and network access, are billed in arrears and recognized monthly as services are provided. Other products and services revenue are recognized when products are delivered and accepted by customers and when services are provided.

We have separate prices for the services described above but we also bundle these services into various service packages. Our multiple-deliverable arrangements are generally provided at a price below the amount determined on a separate basis. This discount is allocated to the non-tariff service items based on their separate selling prices. All of the services in a package qualify as separate units of accounting. All services are provided and recognized monthly, therefore, the allocation to specific units does not have a material impact on the timing of revenue recognition.

We collect taxes for various taxing authorities on certain types of revenue producing transactions. It is our position that we are acting strictly as an agent for the taxing authority, whereby, the tax is collected and remitted to the taxing entity. Using the net method to account for these taxes, we do not record the taxes as a revenue or expense.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, we consider all demand deposits, money market funds, and certificates of deposit with original maturities of three months or less to be cash equivalents.

**Accounts Receivable**

Telecommunications and other trade receivables are reported in the balance sheet at outstanding principal less any allowances for doubtful accounts. Trade receivables are short-term and interest is not accrued. Telecommunications receivables are written-off after the customer has been disconnected for at least ninety days. An allowance is not recognized for these receivables because it would not be material. Other trade receivables are written-off at the time they are deemed uncollectible. An allowance for other trade receivables is recorded when deemed appropriate based on a review of aged receivables.

In 2012, we reviewed all receivables for compliance with the above policies and approved charge-offs totaling \$[REDACTED] which are included in uncollectible expense. The majority of these charge-offs are relative to prior periods.

**Comprehensive Income**

We follow the guidance of FASC 220 - Comprehensive Income. FASC 220 requires the reporting and display of other comprehensive income items which are items that are recorded directly to equity and are not included in net income. Our only other comprehensive income items are the unrealized holding gains and losses on marketable securities available for sale. Reclassification adjustments are necessary to avoid double counting items included in current period's net income that previously were reported as other comprehensive income, such as realized gain and losses reported previously in other comprehensive income as unrealized holding gains and losses. These reclassification adjustments are reported separately in the Statements of Comprehensive Income.

**LIVINGSTON TELEPHONE COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 1 – Summary of Significant Accounting Policies: (continued)**

**Goodwill and Intangibles**

FASC Topic 350 – Intangibles - Goodwill and Other, prescribes the necessary accounting for both identifiable intangibles and goodwill after initial recognition. Amortization of goodwill and indefinite lived intangibles ceased upon adoption of this standard and periodic impairment testing is required. Amortization of definite lived intangibles will continue over their useful life.

We have recognized as equity method goodwill, the excess of the purchase price of an investment in GTE Mobilnet RSA 17 Limited Partnership (RSA 17) over the underlying equity in net assets of RSA 17. In accordance with the provisions of FASC Topic 350, such goodwill is not amortized but tested for impairment at least annually. This goodwill was eliminated with the sale of RSA 17.

**Asset Retirement Obligations**

FASC Topic 420 - Asset Retirement and Environmental Obligations requires that companies having a legal obligation to remove and dispose of assets, recognize the fair value of a liability for asset retirement obligations in the period in which the obligations are incurred and capitalize that amount as part of the book value of the long-lived asset. Although we have had no legal obligation to remove assets, depreciation rates of certain assets established by regulatory authorities have historically included a component for removal costs in excess of the related estimated salvage value. Regulatory accounting precludes us from eliminating this accumulated liability for removal costs in excess of salvage value even though there is no legal obligation to remove the assets.

**Fair Value Measurements**

In accordance with FASC Topic 820 – Fair Value Measurements and Disclosures, we measure fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. We apply a hierarchy that prioritizes the information used to develop assumptions used in determining fair value. The hierarchy contains three levels of inputs: Level 1 – quoted prices in active markets for identical assets or liabilities; Level 2 – observable inputs, such as, quoted market prices of similar assets or liabilities in active markets or for identical assets or liabilities in markets that are not active; and Level 3 – unobservable inputs obtained from our own data. FASC Topic 820 applies whenever other standards require or permit assets or liabilities to be measured at fair value; however, it does not expand the use of fair value in any new circumstances. FASC Topic 820 does not apply to lower of cost or market determinations for inventory and does not eliminate the practicability exceptions to fair value measurements.

Our significant fair value measurements are those required by FASC Topic 320 – Investments - Debt and Equity Securities. We have not chosen to use fair value measurements unless required to do so by applicable accounting standards.

**Note 2 – Marketable Securities:**

Marketable securities consist of municipal debt securities, mutual funds and common stock investments considered available for sale. These securities are carried at fair market value. The contractual maturities of debt securities range from 2014 to 2032. All securities are classified as current assets since they represent an excess of funds available for operations and we have the option of selling them at any time. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

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**Note 2 – Marketable Securities: (continued)**

Under FASC Topic 320, available for sale securities are required to be carried at their fair market value, with unrealized gains and losses (net of income taxes) that are considered temporary in nature recorded as a separate component of stockholders' equity. The fair values of marketable securities are determined based on market quotations. We periodically evaluate our investments in marketable securities for impairment due to declines that are considered to be other than temporary. In the event of a determination that a decline in market value is other than temporary, a loss is recognized in the Statement of Operations and a new cost basis in the investment is established.

Certain other investments in securities held by us are not adjusted to market values because those values are not readily determinable and/or the securities are not marketable. However, the carrying values of these cost method securities will be adjusted if we believe that the decline in value below cost is other than temporary. The fair value of the cost method securities is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value. We do not estimate fair value under FASC Topic 825 for these cost method securities because we are exempt from estimating fair value for these investments. The aggregate carrying amount of the cost method investments at December 31, 2012 and 2011 was \$[REDACTED]

Other information about the marketable security portfolio is shown below.

	<u>Debt Securities</u>		<u>Equity Securities</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Amortized cost basis	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Fair market (carrying) value	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Gross unrealized holding gains	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Gross unrealized holding losses	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Net Unrealized (Losses) Gains	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Proceeds from sales of securities	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Gross realized gains	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Gross realized losses	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Net Realized (Losses) Gains	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

The cost basis used to calculate realized gains and losses was determined using specific identification.

The unrealized holding gain (loss) included in comprehensive income and as a separate component of equity changed by \$[REDACTED] and \$[REDACTED] before income taxes for the years ended December 31, 2012 and 2011, respectively.

**Note 3 – Investment in Cellular Partnership:**

Effective December 13, 2012, Telcom sold its 17.02 percent interest in GTE Mobilnet RSA 17 Limited Partnership (RSA 17) for \$[REDACTED] in cash. Telcom recorded a gain of \$[REDACTED] relative to this transaction. Commissions of approximately \$[REDACTED] are netted against this gain.

**LIVINGSTON TELEPHONE COMPANY  
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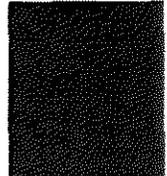
**Note 3 – Investment in Cellular Partnership: (continued)**

Summarized audited financial information for the RSA 17 as of December 31, 2011 is as follows:

**Assets**

**Liabilities**

**Net Income**



Included in expenses in the Statement of Income for the year ended December 31, 2012 are approximately \$[REDACTED] of non-recurring accounting and legal expenses related to the sale of RSA 17, organization of electronic corporate records, and corporate strategy planning.

**Note 4 – Income Taxes:**

Deferred tax assets and liabilities result primarily from differences in the bases of partnership investments and depreciation methods and lives used for financial and income tax reporting. The net deferred tax liability includes the following components:

	<u>2012</u>	<u>2011</u>
Deferred tax liabilities	\$ [REDACTED]	\$ [REDACTED]
Deferred tax assets	[REDACTED]	[REDACTED]
<b>Net Deferred Tax Liability</b>	<b>\$ [REDACTED]</b>	<b>\$ [REDACTED]</b>
	<u>2012</u>	<u>2011</u>
Operating current	\$ [REDACTED]	\$ [REDACTED]
Operating deferred	[REDACTED]	[REDACTED]
Nonoperating current	[REDACTED]	[REDACTED]
Nonoperating deferred	[REDACTED]	[REDACTED]
<b>Total</b>	<b>\$ [REDACTED]</b>	<b>\$ [REDACTED]</b>

The provision for Income tax differs from the amount calculated using income before taxes at the statutory rate because of permanent differences, the Texas Margin Tax and changes in prior year tax estimates.

In 2012, \$[REDACTED] of deferred taxes was credited directly to the net unrealized holding gain component of stockholders' equity. In 2011, \$[REDACTED] of deferred taxes was charged directly to the net unrealized holding gain component of stockholders' equity.

We have not identified any uncertain tax positions requiring recognition in our financial statements and we believe that the positions taken would not require settlement at an amount less than full recognition. We file income tax returns in the U.S. federal jurisdiction and the State of Texas. We are generally no longer subject to U.S. federal income tax examinations by tax authorities for years before 2009 and we are no longer subject to examination by the State of Texas for years before 2008.

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**Note 5 – Savings and Retirement Plans:**

**Savings Plan**

We have a savings plan in effect for all eligible employees, administered by the National Telephone Cooperative Association (NTCA). For 2012 and 2011, we contributed 15 percent of employees' annual salary to the plan. The employee can contribute between 3 percent and 100 percent of annual salary to the plan. Our cost for the plan for 2012 and 2011 was \$ [REDACTED] and \$ [REDACTED] respectively.

**Multiemployer Pension Plan**

We participate in a multiemployer defined benefit pension plan. It covers many full-time employees of NTCA, its affiliates, and its member organizations who have adopted the plan. This plan is funded through employer contributions of 6.6 percent of salary plus rule of 85 charges. These contributions, plus earnings, accumulate tax-free in the program's unallocated trust fund. This multiemployer plan differs from single-employer plans in that all pension fund assets and vested benefits are pooled for investment and reporting purposes. Assets contributed by one employer can be used to pay benefits to employees of another participating employer. Conversely, if a participating employer fails to contribute its required amounts, the unfunded obligation may be passed on to remaining participants.

<b>Legal Name of Plan</b>	<b>Retirement &amp; Security Program for Employees of the National Telecommunications Cooperative Association and Its Member Systems</b>
<b>Employer ID Number</b>	<b>52-0741336</b>
<b>Plan Number</b>	<b>333</b>

The following disclosures are derived from the December 31, 2011 and 2010 Forms 5500 filed by the Plan.

	<b>In Thousands</b>	
	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>Total Plan Assets</b>	\$ [REDACTED]	\$ [REDACTED]
<b>Accumulated Benefit Obligation</b>	\$ [REDACTED]	\$ [REDACTED]
<b>Funded Status</b>	> [REDACTED]	> [REDACTED]

The following disclosures are our financial information for years ended December 31:

	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Employer Contributions</b>	\$ [REDACTED]	\$ [REDACTED]
<b>Are Employer Contributions &gt; 5% of Total Plan Contributions?</b>	<b>No</b>	<b>No</b>
<b>Surcharge % of Salary Included in Contributions</b>	[REDACTED]	[REDACTED]

**Note 6 – Additional Cash Flow Information:**

<b>Cash paid during the year:</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Income taxes</b>	\$ [REDACTED]	\$ [REDACTED]

**LIVINGSTON TELEPHONE COMPANY  
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**Note 7 – Financial Instruments:**

Our financial instruments include cash, receivables, marketable securities, cost method long-term investments, and payables. With the exception of long-term investments recorded at cost, the estimated fair value of such financial instruments at December 31, 2012 and December 31, 2011 approximate their carrying value as reflected in the consolidated balance sheets.

**Concentrations of Credit Risk**

Financial instruments that subject us to concentrations of credit risk are cash and cash equivalents, certificates of deposit, marketable securities and trade and other accounts receivable. We deposit our cash and certificates of deposit with high-credit-quality financial institutions and periodically maintain deposits in amounts which potentially exceed FDIC insurance coverage. Cash balances with financial institutions are insured up to \$[REDACTED] by the Federal Deposit Insurance Corporation. We believe the risk of incurring material losses related to this credit risk is remote.

We maintain investment accounts with stock brokerage firms and major financial institutions. The accounts contain cash, money market funds and securities. The balances with the brokerage firms are insured against theft by the Securities Investor Protection Corporation up to \$[REDACTED] with additional insurance provided by the brokerage firm. Securities are subject to investment risk, including loss of principal. Money market accounts are also subject to loss of principal, although this risk is much lower than with securities.

Concentrations of credit risk with respect to telecommunications accounts receivable are limited due to the large number of customers. We believe the risk of nonpayment of other accounts receivable to be low based on the nature of the receivables.

We received 17 percent and 15 percent of our 2012 and 2011 gross revenue from one source.

**Note 8 – Stock Purchase Plan:**

We have an employee stock purchase agreement in effect which allows the general manager each year to purchase shares of stock of Livingston up to a net book value of \$[REDACTED] based on the prior year's net book value. The agreement will remain in effect as long as the current general manager is employed as general manager of Livingston.

**Note 9 – Fair Value Measurements:**

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2012:

	Level 1: Quoted Prices In Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2012
<b>Assets:</b>				
Marketable securities	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
<b>Liabilities:</b>				
[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

**LIVINGSTON TELEPHONE COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Note 9 – Fair Value Measurements: (continued)**

The estimated fair market value of marketable securities of \$ [REDACTED] and \$ [REDACTED] at December 31, 2012 and 2011, respectively, represents the carrying value. These amounts differ from the securities cost of \$ [REDACTED] and \$ [REDACTED] at December 31, 2012 and 2011, respectively.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2011:

	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2011
<b>Assets:</b>				
Marketable securities	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
<b>Liabilities:</b>				
[REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

**Note 10 – Subsequent Events:**

We have evaluated subsequent events through May 2, 2013, the date which the financial statements were available to be issued.

**Note 11 – Commitments:**

We have in effect employment agreements with five of our management personnel for the period May 20, 2012 through December 31, 2014. Commencing on January 1, 2015 and each January 1 thereafter, the term of the agreements shall automatically renew for one additional year unless we elect to not extend the agreement. Such agreements provide for estimated severance compensation amounts approximating \$ [REDACTED] upon a change in control of the Company which results in termination of active employment within one year of the change of control.