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VIA OVERNIGHT DELIVERY

September 20, 2013

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

RE: **CONFIDENTIAL FINANCIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NOS. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION**

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §54.313 Livingston Telephone Company (the Company) has submitted a completed FCC Form 481 to the Commission via its Electronic Comment Filing System (ECFS). Section 3005 of the Form 481 requires a privately-held rate of return carrier receiving high cost support to attach financial information pursuant to 47 C.F.R. § 54.313(f)(2). The Company maintains that the financial information is confidential and has submitted through ECFS a redacted document as an attachment for section 3005 of the FCC Form 481 in WC Docket Nos. 10-90 and 11-42.

Livingston Telephone Company, by its authorized representative, hereby submits confidential information pursuant to 47 C.F.R. § 54.313(f)(2), under seal, subject to the Protective Order adopted November 16, 2012 in the above-named dockets.[1] The Company is providing to the Office of the Secretary an original hard copy of the cover letter and one copy of the confidential information.

Two copies of this cover letter and confidential information are also being delivered to Mr. Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, in accordance with the Protective Order.

The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as an attachment to the FCC Form 481.

No. of Copies rec'd 0+1
List ABCDE

[1] FCC Record DA 12-1857

Each page of the submission which includes confidential information bears the legend, "CONFIDENTIAL FINANCIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NOS. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION"

In addition to the above-referenced Protective Order, the confidential information is also protected from disclosure to the public pursuant to 47 C.F.R. §0.457 and 0.459. The confidential information is competitively sensitive information and should not be available for public inspection. The confidential information includes financial information. Release of this confidential information would have a substantial negative competitive impact on the Company. Therefore, the confidential information submitted is appropriate for non-disclosure under sections 0.457(d) and 0.459. Justification for the confidential treatment of this information is provided in the Appendix to this letter, pursuant to 47 C.F. R. § 0.459(b).

Two copies of the redacted confidential information and cover letter are also being filed simultaneously with the non-redacted confidential information, in accordance with the Protective Order. The redacted version of the cover letter for this filing and each page of the file where confidential information has been omitted is marked "REDACTED – FOR PUBLIC INSPECTION."

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

Please contact me if you have any questions.

Sincerely,

Jean Langkop
Authorized Representative for
Livingston Telephone Company

JL/pjf

Enclosures

cc: Mr. Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau,
Mr. Curtis G. Walzel, Livingston Telephone Company

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APPENDIX

Livingston Telephone Company (the Company) requests confidential treatment of certain information submitted with its 2013 annual reporting requirements as a privately-held rate of return carrier and high-cost recipient in Docket No. 10-90. The information is required by 47 C.F.R. § 54.313(f)(2) and includes detailed financial information that is competitively sensitive. Disclosure of this confidential information would have a substantial negative impact on the Company. Such information would not normally be made available to the public and should be afforded confidential treatment under both 47 C.F.R. §§ 0.457 and 0.459. In addition, the confidential information is protected from disclosure under the November 16, 2012 Protective Order in the above referenced docket.

<u>47 C.F.R. § 0.457</u>

Specific information in this filing related to the Company's financial data is confidential and proprietary as "commercial or financial information" under section 0.457(d). Disclosure of this information to the public would risk revealing company-sensitive proprietary information and have a harmful competitive effect on the Company's operations. Therefore, this information should be considered "Records not routinely available for public inspection."

<u>47 C.F.R. § 0.459</u>

Specific information related to financial data is also subject to protection under 47 C.F.R. § 0.459 as demonstrated below:

<u>Identification of the specific information for which confidential treatment is sought</u>

The Company requests that all financial data, be treated on a confidential basis under Exemption 4 of the Freedom of Information Act. The Company maintains this information is confidential, competitively sensitive data not normally made available to the public. Release of this information would have a substantial negative competitive impact on the Company. The non-redacted version of the cover letter for the Company's submission and each page of the file containing confidential information is marked, **"CONFIDENTIAL FINANCIAL INFORMATION SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-135, 05-337, 03-109, CC DOCKET NOS. 01-92, 96-45, GN DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."**

<u>Identification of the Commission proceeding in which the information was submitted</u>

The information is being submitted in compliance with 47 C.F.R. § 54.313(f)(2) and is to be filed in WC Docket No. 10-90. Privately held rate of return carriers that receive high-cost support must complete the FCC Form 481 to include a full and complete annual report of the company's financial condition and operations as of the end of the preceding fiscal year (sections of which the Company is requesting be afforded confidential treatment).

<u>Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged</u>

The information designated as confidential is detailed financial information including a balance sheet, income statement, and cash flow statement. Release of any of this commercial or financial information would have a substantial negative competitive impact on the Company.

Explanation of the degree to which the information concerns a service that is subject to competition and how disclosure of the information could result in substantial competitive harm

This type of commercial and financial information is generally not subject to routine public inspection under the Commission's rules (47 C.F.R. § 0.457(d)), demonstrating that the Commission already anticipates that the release of this type of information likely would produce competitive harm. Release of the information designated as confidential would allow competitors to become aware of sensitive proprietary information regarding the operation of the Company's business and would cause the Company substantial competitive harm.

Identification of measures taken by the Company to prevent unauthorized disclosure; availability of the information to the public and extent of any previous disclosure of the information to third parties.

The Company treats and has treated the non-public information included in this submission as confidential and has protected it from disclosure to parties outside the Company. Any financial information required to be submitted to a state regulatory authority has been filed as confidential information, not available to the public, in accordance with state rules and/or statutes.

Justification of the period during which the Company asserts that material should not be available for public disclosure

The Company cannot determine any date on which this information should not be considered confidential.

Other information the Company believes may be useful in assessing whether its request for confidentiality be granted

Under applicable Commission rules and court rulings, the information designated by the Company as confidential should be withheld from public disclosure. Exemption 4 of the Freedom of Information Act protects information that is commercial or financial in nature; obtained from a person outside government; and privileged or confidential. The information in question satisfies this test.

LIVINGSTON TELEPHONE COMPANY
CONSOLIDATED BALANCE SHEETS
December 31

Assets

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

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

LIVINGSTON TELEPHONE COMPANY
CONSOLIDATED BALANCE SHEETS
December 31

Liabilities and Stockholders' Equity

	2012	2011
Current Liabilities:		
Accounts payable	$ [redacted]	$ [redacted]
Accrued income taxes		
Other accrued liabilities		
Deferred income taxes		
Customer deposits		
Total Current Liabilities		
Other Liabilities and Deferred Credits:		
Deferred income taxes		
Stockholders' Equity:		
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		
Total Stockholders' Equity		
Total Liabilities and Stockholders' Equity	$	$

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

REDACTED – FOR PUBLIC INSPECTION

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

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

(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

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

	Capital Stock	Paid-In Capital	Retained Earnings	AOCI Gain (Loss)	Treasury Shares	Treasury Amount
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

	2012	2011
Cash Flows from Operating Activities:		
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		
Proportionate share of partnership income		
Gain on sale of partnership interest		
Commission on sale of partnership interest		
Net gain on disposal of assets and marketable securities	[redacted]	[redacted]
Change in assets and liabilities:		
Accounts receivable	[redacted]	[redacted]
Inventory		
Prepaids		
Accounts payable and accruals		
Deferred income taxes		
Total Adjustments		
Net Cash Provided by Operating Activities	[redacted]	[redacted]
Cash Flows from Investing Activities:		
Proceeds from disposal of plant	[redacted]	[redacted]
Proceeds from sale of partnership interest		
Capital expenditures		
Plant removal cost		
Sale of investments		
Return of principal/maturity of investments		
Purchase of marketable securities		
Purchase of other investments		
Net change in certificates of deposit		
Net Cash Provided by (Used in) Investing Activities	[redacted]	[redacted]
Cash Flows from Financing Activities:		
Cash dividends	[redacted]	[redacted]
Sale/distribution of treasury stock		
Net Cash Used in Financing Activities	[redacted]	[redacted]
Net Increase in Cash and Cash Equivalents	[redacted]	[redacted]
Cash and Cash Equivalents at Beginning of Year	[redacted]	[redacted]
Cash and Cash Equivalents at End of Year	$ [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

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.

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

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
December 31, 2012

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.

	Debt Securities 2012	Debt Securities 2011	Equity Securities 2012	Equity Securities 2011
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.

Note 3 – Investment in Cellular Partnership: (continued)

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

Assets	[redacted]
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:

	2012	2011
Deferred tax liabilities	$ [redacted]	$ [redacted]
Deferred tax assets		
Net Deferred Tax Liability	$ [redacted]	$ [redacted]

	2012	2011
Operating current	[redacted]	$ [redacted]
Operating deferred		
Nonoperating current		
Nonoperating deferred		
Total	$ [redacted]	$ [redacted]

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.

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.

Legal Name of Plan	Retirement & Security Program for Employees of the National Telecommunications Cooperative Association and its Member Systems
Employer ID Number	52-0741336
Plan Number	333

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

	In Thousands 2011	2010
Total Plan Assets	$ [redacted]	$ [redacted]
Accumulated Benefit Obligation	$ [redacted]	$ [redacted]
Funded Status	> [redacted]	> [redacted]%

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

	2012	2011
Employer Contributions	$ [redacted]	$ [redacted]
Are Employer Contributions > 5% of Total Plan Contributions?	No	No
Surcharge % of Salary Included in Contributions	[redacted]	[redacted]

Note 6 – Additional Cash Flow Information:

Cash paid during the year:	2012	2011
Income taxes	$ [redacted]	$ [redacted]

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

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 [redacted] 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
Assets:				
Marketable securities	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]
Liabilities:				
[redacted]	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]

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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 di[redacted]he 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
Assets:				
Marketable securities	$ [redacted]	$ [redacted]	$ [redacted]	$ [redacted]
Liabilities: [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.