

KANSAS LIFELINE PROGRAM

Save up to
\$17.02 off your
telephone bill!

You may be eligible to receive up to **\$17.02 off** your monthly local telephone bill through the *Lifeline Program*.

You are eligible if you receive any of the following:

Supplemental Nutrition Assistance Program, General Assistance, Bureau of Indian Affairs General Assistance, Temporary Assistance for Needy Families, Tribally Administered Temporary Assistance for Needy Families, Medicaid, Supplemental Security Income (SSI), Head Start (tribal programs for only those meeting its income qualifying standard), Free School Lunch Program, Tribally Administered Free School Lunch Program, Food Distribution Program, Low Income Energy Assistance Program (LIEAP), Section 8 Public Housing Assistance, Food Distribution Program on Tribal Lands, or 150% of the federal poverty level*. A consumer must provide **THREE CONSECUTIVE MONTHS** of statements as documentation of income, or provide a copy of his or her tax return for the previous year.

For more information about *Kansas Lifeline*, call your **local** telephone company. The number is on your telephone bill or in the front part of the telephone directory.

***2013 Kansas Poverty Level Guidelines**

Number In Household	Maximum Annual Income
1	\$17,235
2	\$23,265
3	\$29,295
4	\$35,325
5	\$41,355
6	\$47,385
7	\$53,415
8	\$59,445
Each additional person in household	\$ 6,030

The Kansas Lifeline program is 150% of the 2013 federal poverty level.



Kansas Lifeline Program

Voice Service Packages

If a customer is eligible for Lifeline services according to the Kansas Lifeline Program guidelines on the previous page, local service and long distance packages are available at the monthly prices listed below (according to service area):

Bushton, Dorrance, & Holyrood -

Basic Local Service	\$ 9.21
Long Distance (No Toll Package)	12.9¢/minute
Basic Local + 40 Minutes Toll.....	\$ 11.97
Basic Local + 100 Minutes Toll	\$ 16.11
Basic Local + 200 Minutes Toll	\$ 23.01
Basic Local + 350 Minutes Toll	\$ 33.36
500+ Minute Toll Package	6.9¢/minute

Ellinwood Rural & Claflin -

Basic Local Service	\$ 6.23
All Toll Packages.....	Same as above

Ellinwood City -

Basic Local Service (Includes 20 Minutes Toll)	\$ 8.60
Basic Local + 200 Minutes Toll	\$ 21.45
Basic Local + 500 Minutes Toll	\$ 31.45

For questions on eligibility, or to sign up for Lifeline Voice Services in these service areas, please contact H&B Communications/H&B Cable Service at (800) 432-8296.

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential. BORROWER NAME H & B Communications, Incorporated (Prepared with Audited Data)
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INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.	PERIOD ENDING December, 2012	BORROWER DESIGNATION KS0585
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CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII

(Check one of the following)

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

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report

Donald Nash

3/29/2013

DATE

PART A. BALANCE SHEET

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
CURRENT ASSETS			CURRENT LIABILITIES		
1. Cash and Equivalents	99,212	40,462	25. Accounts Payable	1,408,886	602,122
2. Cash-RUS Construction Fund	1,078,967	119,425	26. Notes Payable	300,000	240,000
3. Affiliates:			27. Advance Billings and Payments	5,907	5,825
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	0	0
b. Other Accounts Receivable	260,796	525,384	29. Current Mat. L/T Debt	591,960	633,687
c. Notes Receivable	0	0	30. Current Mat. L/T Debt-Rur. Dev.	0	0
4. Non-Affiliates:			31. Current Mat.-Capital Leases	0	0
a. Telecom, Accounts Receivable	123,981	154,935	32. Income Taxes Accrued	0	0
b. Other Accounts Receivable	296,654	276,683	33. Other Taxes Accrued	53,075	40,325
c. Notes Receivable	0	0	34. Other Current Liabilities	28,040	37,855
5. Interest and Dividends Receivable	0	0	35. Total Current Liabilities (25 thru 34)	2,387,868	1,559,814
6. Material-Regulated	21,414	19,653	LONG-TERM DEBT		
7. Material-Nonregulated	0	0	36. Funded Debt-RUS Notes	5,590,229	6,097,904
8. Prepayments	26,277	29,465	37. Funded Debt-RTB Notes		0
9. Other Current Assets	116,401	119,221	38. Funded Debt-FFB Notes		0
10. Total Current Assets (1 Thru 9)	2,023,702	1,285,228	39. Funded Debt-Other		0
NONCURRENT ASSETS			40. Funded Debt-Rural Develop. Loan		0
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		0
a. Rural Development	0	0	42. Reacquired Debt		0
b. Nonrural Development	0	0	43. Obligations Under Capital Lease		0
12. Other Investments			44. Adv. From Affiliated Companies		0
a. Rural Development	0	0	45. Other Long-Term Debt		0
b. Nonrural Development	492,500	492,500	46. Total Long-Term Debt (36 thru 45)	5,590,229	6,097,904
13. Nonregulated Investments	2,901	2,901	OTHER LIAB. & DEF. CREDITS		0
14. Other Noncurrent Assets	73,815	73,815	47. Other Long-Term Liabilities		0
15. Deferred Charges	0	0	48. Other Deferred Credits	1,465,221	4,020,638
16. Jurisdictional Differences	0	0	49. Other Jurisdictional Differences		0
17. Total Noncurrent Assets (11 thru 16)	569,216	569,216	50. Total Other Liabilities and Deferred Credits (47 thru 49)	1,465,221	4,020,638
PLANT, PROPERTY, AND EQUIPMENT			EQUITY		
18. Telecom, Plant-in-Service	16,847,659	22,617,246	51. Cap. Stock Outstand. & Subscribed	14,300	14,300
19. Property Held for Future Use	0	0	52. Additional Paid-in-Capital	0	0
20. Plant Under Construction	2,708,510	53,197	53. Treasury Stock	0	0
21. Plant Adj., Nonop. Plant & Goodwill	0	0	54. Membership and Cap. Certificates	0	0
22. Less Accumulated Depreciation	10,301,844	10,194,815	55. Other Capital	(1,795)	1,026
23. Net Plant (18 thru 21 less 22)	9,254,325	12,475,628	56. Patronage Capital Credits	0	0
24. TOTAL ASSETS (10+17+23)			57. Retained Earnings or Margins	2,391,420	2,636,390
	11,847,243	14,330,072	58. Total Equity (51 thru 57)	2,403,925	2,651,716
			59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)	11,847,243	14,330,072

Total Equity = 18.50% % of Total Assets

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

KS0585

PERIOD ENDING

December, 2012

INSTRUCTIONS- See RUS Bulletin 1744-2

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	406,101	502,097
2. Network Access Services Revenues	2,804,110	2,870,750
3. Long Distance Network Services Revenues	3,682	3,682
4. Carrier Billing and Collection Revenues	751	309
5. Miscellaneous Revenues	61,487	104,997
6. Uncollectible Revenues	0	1,333
7. Net Operating Revenues (1 thru 5 less 6)	3,276,131	3,480,502
8. Plant Specific Operations Expense	581,652	513,490
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	451,301	576,630
10. Depreciation Expense	715,997	620,143
11. Amortization Expense	0	0
12. Customer Operations Expense	233,505	207,025
13. Corporate Operations Expense	819,596	776,085
14. Total Operating Expenses (8 thru 13)	2,802,051	2,693,373
15. Operating Income or Margins (7 less 14)	474,080	787,129
16. Other Operating Income and Expenses	(634)	1,967
17. State and Local Taxes	0	0
18. Federal Income Taxes	0	0
19. Other Taxes	108,562	88,780
20. Total Operating Taxes (17+18+19)	108,562	88,780
21. Net Operating Income or Margins (15+16-20)	364,884	700,316
22. Interest on Funded Debt	290,638	302,323
23. Interest Expense - Capital Leases	0	0
24. Other Interest Expense	8,005	19,471
25. Allowance for Funds Used During Construction	25,050	36,065
26. Total Fixed Charges (22+23+24-25)	273,593	285,729
27. Nonoperating Net Income	51,328	22,104
28. Extraordinary Items	0	0
29. Jurisdictional Differences	0	0
30. Nonregulated Net Income	(562)	(191,721)
31. Total Net Income or Margins (21+27+28+29+30-26)	142,057	244,970
32. Total Taxes Based on Income	0	0
33. Retained Earnings or Margins Beginning-of-Year	2,249,363	2,391,420
34. Miscellaneous Credits Year-to-Date	0	0
35. Dividends Declared (Common)	0	0
36. Dividends Declared (Preferred)	0	0
37. Other Debits Year-to-Date	0	0
38. Transfers to Patronage Capital	0	0
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]	2,391,420	2,636,390
40. Patronage Capital Beginning-of-Year	0	0
41. Transfers to Patronage Capital	0	0
42. Patronage Capital Credits Retired	0	0
43. Patronage Capital End-of-Year (40+41-42)	0	0
44. Annual Debt Service Payments	567,828	959,960
45. Cash Ratio [(14+20-10-11) / 7]	0.6699	0.6212
46. Operating Accrual Ratio [(14+20+26) / 7]	0.9719	0.8814
47. TIER [(31+26) / 26]	1.5192	1.8574
48. DSCR [(31+26+10+11) / 44]	1.9929	1.1988

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

KS0585

PERIOD ENDED

December, 2012

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

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Holyrood	19.25	16.25	47	234	281	119.70	92.32
Bushton	19.25	16.25	148	142	290	130.49	94.01
Dorrance	19.25	16.25	24	101	125	149.60	111.73
MobileWireless					0		
Route Mileage Outside Exchange Area						46.74	46.74
Total			219	477	696	446.53	344.80
No. Exchanges	3						

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USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

KS0585

PERIOD ENDED

December, 2012

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

4. BROADBAND SERVICE

Details on Least Expensive Broadband Service

EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Holyrood	281	165	20	1,500	768	29.95	Package	Fiber to the Home
Bushton	290	113	11	1,500	768	29.95	Package	Fiber to the Home
Dorrance	125	71	5	1,500	768	29.95	Package	Fiber to the Home
Total	696	349						

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USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION KS0585
	PERIOD ENDING December, 2012

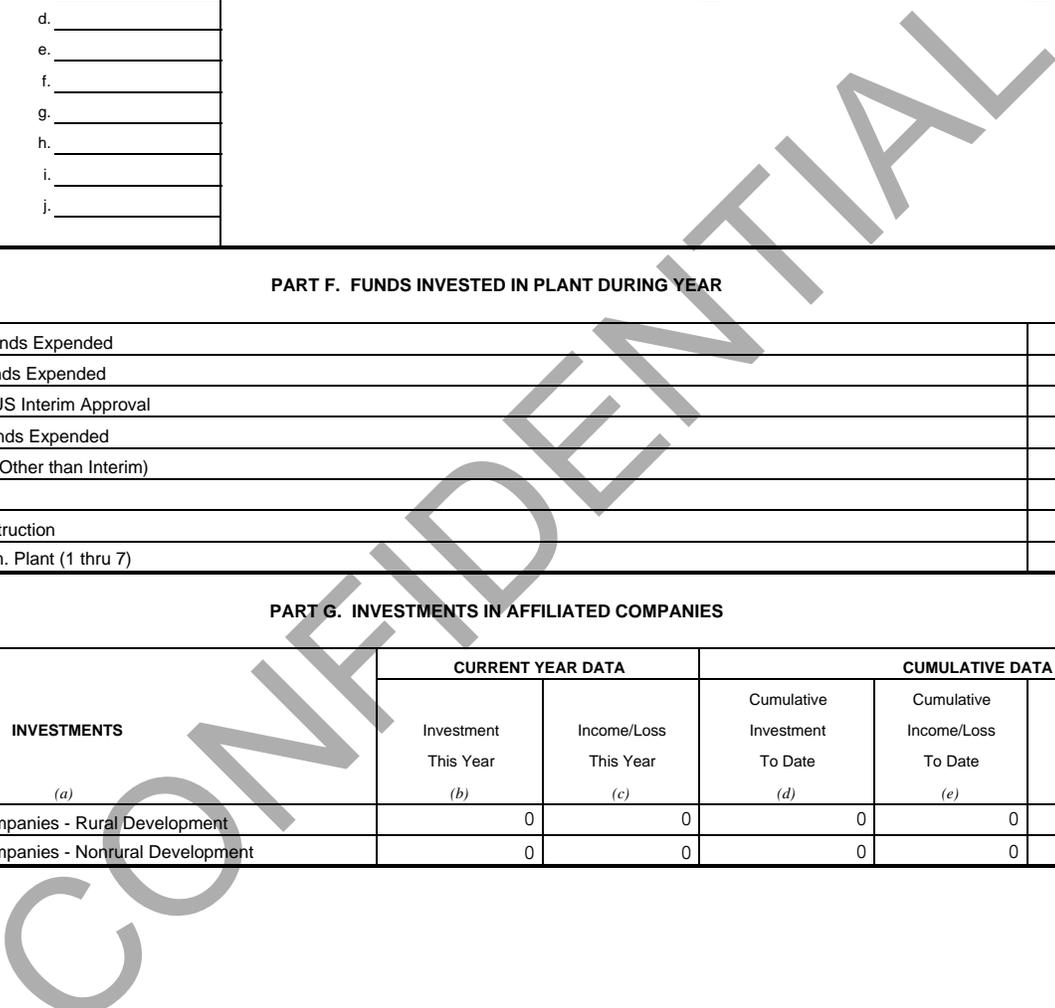
INSTRUCTIONS- See RUS Bulletin 1744-2

PART D. SYSTEM DATA				
1. No. Plant Employees 9	2. No. Other Employees 11	3. Square Miles Served 323	4. Access Lines per Square Mile 2.15	5. Subscribers per Route Mile 1.56

PART E. TOLL DATA	
1. Study Area ID Code(s) a. 411781 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one) Interstate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis Intrastate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis

PART F. FUNDS INVESTED IN PLANT DURING YEAR	
1. RUS, RTB, & FFB Loan Funds Expended	1,659,170
2. Other Long-Term Loan Funds Expended	3,766,930
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	1,401,639
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	6,827,739

PART G. INVESTMENTS IN AFFILIATED COMPANIES					
INVESTMENTS (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year (b)	Income/Loss This Year (c)	Cumulative Investment To Date (d)	Cumulative Income/Loss To Date (e)	Current Balance (f)
1. Investment in Affiliated Companies - Rural Development	0	0	0	0	0
2. Investment in Affiliated Companies - Nonrural Development	0	0	0	0	0



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. 09-5, WT Docket No. 10-208, BEFORE THE FEDERAL COMMUNICATIONS COMMISSION.

USDA-RUS
**OPERATING REPORT FOR
 TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

KS0585

PERIOD ENDING

December, 2012

PART H. CURRENT DEPRECIATION RATES

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

YES

NO

EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	26.27%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	23.98%
5. Land and support assets - Buildings	5.02%
6. Land and support assets - Furniture and Office equipment	18.10%
7. Land and support assets - General purpose computers	18.57%
8. Central Office Switching - Digital	11.58%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	
12. Central Office Transmission - Circuit equipment	16.00%
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	
19. Cable and wire facilities - Aerial cable - Metal	
20. Cable and wire facilities - Aerial cable - Fiber	
21. Cable and wire facilities - Underground cable - Metal	5.38%
22. Cable and wire facilities - Underground cable - Fiber	5.38%
23. Cable and wire facilities - Buried cable - Metal	5.68%
24. Cable and wire facilities - Buried cable - Fiber	5.68%
25. Cable and wire facilities - Conduit systems	6.48%
26. Cable and wire facilities - Other	

CONFIDENTIAL

USDA-RUS

BORROWER DESIGNATION

KS0585

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

PERIOD ENDED

December, 2012

INSTRUCTIONS – See help in the online application.

PART I – STATEMENT OF CASH FLOWS

1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)	1,178,179
CASH FLOWS FROM OPERATING ACTIVITIES	
2. Net Income	244,970
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>	
3. Add: Depreciation	620,143
4. Add: Amortization	0
5. Other (Explain) See Audited Financial Statements	846,153
<i>Changes in Operating Assets and Liabilities</i>	
6. Decrease/(Increase) in Accounts Receivable	(275,571)
7. Decrease/(Increase) in Materials and Inventory	1,761
8. Decrease/(Increase) in Prepayments and Deferred Charges	(3,188)
9. Decrease/(Increase) in Other Current Assets	(2,820)
10. Increase/(Decrease) in Accounts Payable	(806,764)
11. Increase/(Decrease) in Advance Billings & Payments	(82)
12. Increase/(Decrease) in Other Current Liabilities	9,815
13. Net Cash Provided/(Used) by Operations	634,417
CASH FLOWS FROM FINANCING ACTIVITIES	
14. Decrease/(Increase) in Notes Receivable	0
15. Increase/(Decrease) in Notes Payable	(60,000)
16. Increase/(Decrease) in Customer Deposits	0
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	549,402
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	2,555,417
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	2,821
20. Less: Payment of Dividends	0
21. Less: Patronage Capital Credits Retired	0
22. Other (Explain) See Audited Financial Statements	(789,122)
23. Net Cash Provided/(Used) by Financing Activities	2,258,518
CASH FLOWS FROM INVESTING ACTIVITIES	
24. Net Capital Expenditures (Property, Plant & Equipment)	(3,114,274)
25. Other Long-Term Investments	0
26. Other Noncurrent Assets & Jurisdictional Differences	0
27. Other (Explain) See Audited Financial Statements	(796,953)
28. Net Cash Provided/(Used) by Investing Activities	(3,911,227)
29. Net Increase/(Decrease) in Cash	(1,018,292)
30. Ending Cash	159,887

Revision Date 2010

<p style="text-align: center;">USDA-RUS</p> <p style="text-align: center;">OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p>BORROWER DESIGNATION</p> <p style="text-align: center;">KS0585</p>
<p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>PERIOD ENDED</p> <p style="text-align: center;">December, 2012</p>
<p style="text-align: center;">NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	

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USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION KS0585
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2012
CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	

CONFIDENTIAL

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.	
	BORROWER NAME H & B Communications, Incorporated (Prepared with Audited Data)	
INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.	PERIOD ENDING December, 2012	BORROWER DESIGNATION KS0585
CERTIFICATION We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES. DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII (Check one of the following)		
<input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects.		
<input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report		
_____ Donald Nash	_____ 3/29/2013 DATE	

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

Total Equity =

% of Total Assets

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

KS0585

PERIOD ENDING

December, 2012

INSTRUCTIONS- See RUS Bulletin 1744-2

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

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

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INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

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

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Holyrood	19.25	16.25					
Bushton	19.25	16.25					
Dorrance	19.25	16.25					
MobileWireless							
Route Mileage Outside Exchange Area							
Total							
No. Exchanges	3						

Redacted

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

4. BROADBAND SERVICE

Details on Least Expensive Broadband Service

EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Holyrood							Package	Fiber to the Home
Bushton							Package	Fiber to the Home
Dorrance							Package	Fiber to the Home
Total								

Redacted

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INSTRUCTIONS- See RUS Bulletin 1744-2

PART D. SYSTEM DATA

1. No. Plant Employees	2. No. Other Employees	3. Square Miles Served	4. Access Lines per Square Mile	5. Subscribers per Route Mile
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PART E. TOLL DATA

1. Study Area ID Code(s) a. 411781 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one)			
	Interstate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis	
	Intrastate:	<input type="checkbox"/> Average Schedule	<input checked="" type="checkbox"/> Cost Basis	

PART F. FUNDS INVESTED IN PLANT DURING YEAR

1. RUS, RTB, & FFB Loan Funds Expended	
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	

PART G. INVESTMENTS IN AFFILIATED COMPANIES

INVESTMENTS <i>(a)</i>	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year <i>(b)</i>	Income/Loss This Year <i>(c)</i>	Cumulative Investment To Date <i>(d)</i>	Cumulative Income/Loss To Date <i>(e)</i>	Current Balance <i>(f)</i>
1. Investment in Affiliated Companies - Rural Development					
2. Investment in Affiliated Companies - Nonrural Development					

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PART H. CURRENT DEPRECIATION RATES

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

YES

NO

EQUIPMENT CATEGORY

DEPRECIATION RATE

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

REDACTED

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INSTRUCTIONS – See help in the online application.

PART I – STATEMENT OF CASH FLOWS

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

Revision Date 2010

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INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2012
NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	

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INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2012
CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	

Redacted