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REDACTED – FOR PUBLIC INSPECTION

October 22, 2013

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 Twelfth Street S.W.
Room 5-A225
Washington, D.C. 20554

RE: CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-0135, 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. (FILED IN DOCKET 10-90)

Dear Ms. Dortch,

Lathrop Telephone Company (Lathrop) hereby submits the attached redacted and confidential versions of its "FCC Form 481 – Carrier Annual Reporting Data Collection" financial information pursuant to sections §54.313 of the Commission's rules, as filed with the Universal Service Administrative Company.

Section 3005 of Form 481 requires the filing of financial information per 47 C.F.R. §54.313(f)(2). Lathrop maintains that this information is "Confidential Financial Information" on the grounds that it is competitively sensitive information which could be used to disadvantage or harm Lathrop and is submitting this information pursuant to Protective Order, DA 12-1857 as described below.

First, Lathrop is submitting the "Confidential Financial Information" as a "Stamped Confidential Document" with each page bearing the legend CONFIDENTIAL FINANCIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-0135, 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. One copy of the "Stamped Confidential Document" and accompanying cover letter are enclosed.

No. of Copies rec'd 0+1
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Second, Lathrop is submitting the "Stamped Confidential Document" as a "Redacted Confidential Document" where the "Confidential Financial Information" has been redacted. Two copies of the "Redacted Confidential Document" and accompanying cover letter with each page stamped "REDACTED - FOR PUBLIC INSPECTION" are enclosed.

Finally, Lathrop is submitting two copies of the "Stamped Confidential Document" and accompanying cover letter to Charles Tyler, Telecommunications Access Policy Division, Wireline Competition Bureau, Federal Communications Commission, 445 Twelfth Street S.W., Room 5-A452, Washington, D.C. 20554.

FCC Form 481 was also filed prior to October 15th with the Missouri Public Service Commission.

Please contact me with any questions you have on this filing.

Sincerely,

/s/ Dave Beier

Dave Beier
Consulting Manager
GVNW Consulting, Inc.
(217) 698-2700
dbeier@gvnw.com

Enclosures

REDACTED – FOR PUBLIC INSPECTION

MISSOURI 596
LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS
Years ended December 31, 2012 and 2011

A wholly-owned subsidiary of
Grand River Mutual Telephone Corporation
Princeton, Missouri

Kiesling
foresight for your future

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lathrop Telephone Company
Lathrop, Missouri

Report on the Financial Statements

We have audited the accompanying balance sheets of Lathrop Telephone Company (a Missouri corporation) as of December 31, 2012 and 2011, and the related statements of income, comprehensive income, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 estimates made by management as well as evaluating the overall financial statement presentation.

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 Lathrop 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 conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued a report dated April 17, 2013, on our consideration of Lathrop Telephone Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

Kiesling Associates LLP

West Des Moines, Iowa
April 17, 2013

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

BALANCE SHEETS
December 31, 2012 and 2011

	2012	2011
ASSETS		
CURRENT ASSETS	[redacted]	
Cash and cash equivalents		
Temporary investments		
Accounts receivable:		
Due from customers		
Interexchange carriers		
Affiliates		
Other		
Prepaid income taxes		
Interest receivable		
Prepayments		
Deferred income taxes		
OTHER NONCURRENT ASSETS		
Other investments		
Marketable securities		
Other noncurrent assets		
PROPERTY, PLANT AND EQUIPMENT		
Telephone plant in service		
Less accumulated depreciation		
Plant under construction		
TOTAL ASSETS		

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

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

BALANCE SHEETS
December 31, 2012 and 2011

LIABILITIES AND STOCKHOLDERS' EQUITY	2012	2011
CURRENT LIABILITIES	[redacted]	
Current portion of long-term debt		
Accounts payable:		
Interexchange carriers		
Affiliates		
Other		
Customer deposits		
Accrued taxes		
Other		
LONG-TERM DEBT, less current portion		
OTHER NONCURRENT LIABILITIES		
Deferred income taxes		
Dividends payable		
STOCKHOLDERS' EQUITY		
Common stock - $100 par value, 1,500 shares authorized, 1,310 shares issued		
Additional paid-in capital		
Accumulated Other Comprehensive Income:		
Unrealized gains on certain investments		
Retained earnings		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		

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

REDACTED – FOR PUBLIC INSPECTION

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

STATEMENTS OF INCOME
Years ended December 31, 2012 and 2011

	2012	2011
OPERATING REVENUES	[redacted]	
Local network services		
Network access services		
Internet services		
Billing and collection services		
Miscellaneous revenue		
OPERATING EXPENSES		
Plant specific operations		
Plant nonspecific operations		
Cost of internet services		
Depreciation		
Customer operations		
Corporate operations		
General taxes		
OPERATING INCOME (LOSS)		
OTHER INCOME (EXPENSE)		
Interest and dividend income		
Other, net		
Interest expense		
INCOME (LOSS) BEFORE INCOME TAXES		
INCOME TAXES		
NET INCOME (LOSS)		

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

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2012 and 2011

	2012	2011
Net Income (Loss)	[redacted]	
Other comprehensive income, net of tax:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period		
COMPREHENSIVE INCOME (LOSS)		

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

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2012 and 2011

	Common Stock		Additional Paid-in Capital	Accumulated Comprehensive Income	Retained Earnings
	Shares	Amount			
Balance at December 31, 2010	[redacted]				
Comprehensive Income					
Net income					
Unrealized gains on securities:					
Unrealized holding gains arising during the period (net of tax of $724)					
Dividends					
Balance at December 31, 2011					
Comprehensive Income					
Net loss					
Unrealized gains on securities:					
Unrealized holding losses arising during the period (net of tax of ($929))					
Additional paid-in capital					
Balance at December 31, 2012					

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

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

STATEMENTS OF CASH FLOWS
Years ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	[redacted]	
Net income (loss)		
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation		
Deferred income taxes		
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		
Other noncurrent assets		
Prepayments		
Increase (Decrease) in:		
Accounts payable		
Accrued taxes		
Other		
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures		
Proceeds from sale of other investments		
Salvage, net of cost of removing plant		
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowing		
Repayment of long-term debt		
Proceeds from USDA grant		
Additional paid-in capital		
Net cash provided by (used in) financing activities		
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning of Year		
Cash and Cash Equivalents at End of Year		

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

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Lathrop Telephone Company (herein referred to as "the Company") is a provider of telecommunications exchange and local access services, internet and telecommunications equipment in a service area located primarily in Clinton County, Missouri.

The accounting policies of the Company conform to accounting principles generally accepted in the United States of America. Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management has evaluated subsequent events through April 17, 2013, the date the financial statements were available for issue. Telephone operations reflect practices appropriate to the telephone industry. The accounting records of the telephone company are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Federal Communications Commission (FCC) as modified by the state regulatory authority.

Cash Equivalents

All highly liquid investments with a maturity of three months or less at the time of purchase are considered cash equivalents.

Accounts Receivable

Receivables are reported at the amounts the Company expects to collect on balances outstanding at year end. The Company monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Company has concluded that losses on balances outstanding at year end will be immaterial.

Investments

Temporary and other investments consist primarily of investments in bank certificates of deposit which are carried at cost, which approximates market.

Marketable securities bought and held principally for selling in the near future are classified as trading securities and carried at fair value. Unrealized holding gains and losses on trading securities are reported in earnings. Marketable securities classified as available-for-sale are carried at fair value with unrealized holding gains and losses recorded as a separate component of stockholders' equity. Debt securities for which the Company has both the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. The Company uses the average cost method of computing realized gains and losses.

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Nonmarketable equity investments over which the Company has significant influence are reflected on the equity method. Other nonmarketable equity investments are stated at cost.

Property, Plant and Equipment

Property, plant and equipment is capitalized at original cost including the capitalized cost of salaries and wages, materials, certain payroll taxes, employee benefits and interest incurred during the construction period.

The Company provides for depreciation for financial reporting purposes on the straight-line method by the application of rates based on the estimated service lives of the various classes of depreciable property as approved by the Missouri Public Service Commission. These estimates are subject to change in the near term.

Renewals and betterments of units of telephone property are charged to telephone plant in service. When telephone plant is retired, its cost is removed from the asset account and charged against accumulated depreciation less any salvage realized. No gains or losses are recognized in connection with routine retirements of depreciable telephone property. Repairs and renewals of minor items of telephone property are included in plant specific operations expense.

Long-Lived Assets

The Company would provide for impairment losses on long-lived assets when no longer cost of service regulated, indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Based on current conditions, management does not believe any of its long-lived assets are impaired.

Income Taxes

The Company is included in the consolidated tax return with its parent for income tax purposes. For financial reporting purposes, income taxes are presented by apportioning the consolidated tax provision in the ratio of the income taxes to be paid as if each were filing a separate return.

Income taxes are accounted for using a liability method and provide for the tax effects of transactions reported in the financial statements including both taxes currently due and deferred. Deferred taxes are adjusted to reflect deferred tax consequences at current enacted tax rates. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred taxes arise from property, plant and equipment and certain payables. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible, when the assets and liabilities are recovered or settled.

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed. The Company is required to provide telephone service to subscribers within its defined service territory.

Local network service and internet revenues are recognized over the period a subscriber is connected to the network.

Network access revenues are derived from charges for access to the Company's local exchange network. The interstate portion of access revenues is based on an average schedule company settlement formula administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. The intrastate portion of access revenues is billed based on an individual company tariff access charge structure approved by the Missouri Pubic Service Commission. The tariffs developed from this structure are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried.

The Company recognizes internet related revenues charged to its end user customers in the statement of operations as internet services. Included in network access services is the settlement received from NECA related to using the regulated plant facilities to provide internet services. Payments made to NECA under the wholesale DSL program associated with the use of the regulated plant facilities to provide high speed internet service are included in cost of internet services and totaled [redacted] and [redacted] in 2012 and 2011, respectively.

Other revenues include contractually determined arrangements for the provision of billing and collecting services and are recognized in the period when the services are performed.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $5,635 and $7,511 in 2012 and 2011, respectively.

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Company determines the fair value of its financial assets and liabilities based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform with the 2012 presentation.

NOTE 2. SECURITIES INVESTMENTS

The amortized cost and fair value of available-for-sale securities are:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2012:				
Available-for-sale equity securities:	[redacted]			
Technology industry				
Amounts classified as:				
Marketable securities				
December 31, 2011:				
Available-for-sale equity securities:				
Technology industry				
Amounts classified as:				
Marketable securities				

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2. SECURITIES INVESTMENTS (Continued)

Investments measured at fair value are valued at Level 1 in the fair value hierarchy.

There were no proceeds from sales or realized gains or losses on sales of available-for-sale securities during 2012 and 2011. The change in net unrealized holding gains on available-for-sale securities included as a separate component of comprehensive income before tax totaled ($2,480) and $1,930 in 2012 and 2011, respectively.

NOTE 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following:

	2012	2011
Telephone plant in service:	[redacted]	
Land		
Buildings		
Furniture and office equipment		
Vehicles and work equipment		
Central office assets		
Cable and wire facilities		
Other plant and equipment		
Total property, plant and equipment		

Depreciation on depreciable property resulted in composite rates of 16.50% and 5.74% for 2012 and 2011, respectively.

Beginning January 1, 2012, the Company's depreciation rate on buried cable was increased to more accurately reflect the estimated remaining service life of this equipment. This change resulted in approximately [redacted] additional depreciation expense in 2012 compared to 2011 on these assets.

NOTE 4. INCOME TAXES

Income taxes reflected in the Statements of Income consist of the following:

	2012	2011
Federal income taxes:	[redacted]	
Current tax expense (benefit)		
Deferred tax benefit		
State income taxes:		
Current tax expense (benefit)		
Deferred tax benefit		
Total income tax expense (benefit)		

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4. INCOME TAXES (Continued)

Cash paid for income taxes and estimated income taxes for 2012 and 2011 totaled [redacted] and [redacted] respectively.

Deferred federal and state tax liabilities and assets reflected in the Balance Sheets are summarized as follows:

	2012	2011
Deferred Tax Liabilities	[redacted]	
Federal		
State		
Total Deferred Tax Liabilities		
Deferred Tax Assets		
Federal		
State		
Total Deferred Tax Assets		
Net Deferred Tax Liabilities		
Current Portion		
Long-term Portion		
Net Deferred Tax Liabilities		

Prepaid income taxes of [redacted] appearing on the Balance Sheets at December 31, 2012, reflect overpayments of estimated taxes on the consolidated tax filing.

The tax provision differs from the expense that would result from applying the federal statutory rates to income before income taxes because of state income taxes.

The Company has evaluated its income tax positions and has determined that there are no uncertain income tax positions that need to be recorded or reported in the financial statements at December 31, 2012.

The Company's federal and state income tax returns for years 2009 to present remain subject to examination.

NOTE 5. LONG-TERM DEBT

	2012	2011
Grand River Mutual Telephone - 3.25%	[redacted]	
Less current portion		

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5. LONG-TERM DEBT (Continued)

Cash paid for interest, net of amounts capitalized, for 2012 and 2011 totaled [redacted] and [redacted] respectively.

NOTE 6. DEFINED CONTRIBUTION PENSION PLAN

The Company provides an optional savings plan administered by NTCA for its employees. Employees are allowed to contribute up to 20% of their salary. The Company contributes under a matching formula up to 3% of the employees' salaries in addition to the voluntary contribution. Savings plan costs expensed and capitalized for the years ending December 31, 2012 and 2011, totaled $2,783.

NOTE 7. MULTIEMPLOYER DEFINED BENEFIT PENSION PLAN

The Company contributes to the "Retirement and Security Program (R&S) for Employees of the National Telecommunications Cooperative Association (NTCA) and Its Member Systems". The multiemployer program is a defined benefit pension plan covering most employees. The risk of participating in this multiemployer plan is different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

- If the Company chooses to stop participating in the multiemployer plan, they may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Company's participation in this plan for the annual period ended December 31, 2012, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2012 and 2011 is for the plan's year-end at December 31, 2011, and December 31, 2010, respectively. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plant (FIP) or rehabilitation plan (RP) is either pending or has been implemented.

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 7. DEFINED BENEFIT PENSION PLAN (Continued)

The Program does not have a certified zone status as currently defined by the PPA because the Program is considered a multiple employer plan pursuant to the Internal Revenue Code and ERISA.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Contributions 12/31/2012	Contributions 12/31/2011	Surcharge Imposed
R&S	52-0741336 / 333	Green	N/A	$ 11,776	$ 11,776	Yes

At the date the financial statements were issued, Forms 5500 were not available for the plan year ending in 2012.

NOTE 8. RELATED PARTY TRANSACTIONS

The Company is a wholly-owned subsidiary of Grand River Mutual Telephone Corporation, Princeton, Missouri. The parent company and its subsidiaries provided certain accounting, commercial and other operational services at cost to the Company, aggregating [redacted] and [redacted] in 2012 and 2011, respectively. In connection with providing long distance services to the customers of Lathrop Telephone Company, Grand River Mutual Telephone Corporation paid the Company [redacted] and [redacted] for billing and collection services during 2012 and 2011, respectively.

NOTE 9. CONCENTRATIONS OF CREDIT RISK

The Company grants credit to customers, all of whom are located in the franchised service area, and telecommunications intrastate and interstate long distance carriers.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and temporary investments. The Company places its temporary investments in several financial institutions which limits the amount of credit exposure in any one financial institution.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 10. NONCASH FINANCING ACTIVITIES

Noncash financing activities for the years ended December 31, 2012 and 2011, included in dividends accrued but unpaid at year end totaled [redacted]

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 11. REGULATORY ACCOUNTING

For its telephone operations, the Company follows generally accepted accounting principles for regulated enterprises. Accordingly, the Company defers certain cost and obligations and depreciates plant and equipment over lives approved by regulators. While the Company continues to believe the current regulatory and competitive environment supports this accounting treatment, should conditions change the Company would be required to write-off these deferred cost and obligations and evaluate the net carrying value of its plant and equipment for any impairment losses absent the future recovery currently permitted by the regulators.

NOTE 12. BROADBAND INITIATIVES PROGRAM GRANT

[redacted]

LATHROP TELEPHONE COMPANY
LATHROP, MISSOURI

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 13. REGULATORY MATTERS

The Company received 45% of its 2012 revenues from access revenues and assistance provided by the Federal Universal Service Fund. As a result of the National Broadband Plan the manner in which access revenues and Universal Service Funds are determined has been modified by the Federal Communications Commission in an order effective December 29, 2011. Among other things, this order provides for (1) a requirement to provide broadband services; (2) the establishment of a Connect America Fund (CAF) to replace current USF and high cost support mechanisms with a cap on the total fund; (3) modifications to the current rate of return support model including caps on the recovery of certain expenditures; (4) a reduction in the terminating access charges billed by the Company over a nine year period with eventual transition to a bill-and-keep framework for the exchange of traffic between carriers; (5) a new access recovery charge on monthly customer bills; and (6) a national framework for reporting and oversight.

The order calls for further guidelines to be adopted on implementation and other topics. Portions of this order applicable to the Company are being challenged. Accordingly, neither the outcome of these proceedings nor their potential impact on the Company can be predicted at this time.