

LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE

Alenco Communications Inc. ("the Company") complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Company operates are outlined in its local exchange tariff, which is approved by the Public Utility Commission of Texas ("Texas PUC"). The tariff contains provisions regarding the Company's customer service and protection practices.

Service quality standards for voice service are established by the Texas PUC. The Company consistently meets or exceeds those standards and provides reports to the Texas PUC, in accordance with the Texas PUC's rules.

With regard to broadband service, the Company provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a "best effort" service and are dependent upon a number of variables, many of which are outside the control of the Company.

The Company complies with any and all consumer protection obligations under state law.

The Company also complies with the following consumer best practices: (1) the Company discloses its rates and terms of service to customers; (2) the Company provides specific disclosures in its advertising; (3) the Company separately identifies carrier charges from taxes on its billing statements; (4) the Company provides ready access to customer service; (5) the Company promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Company abides by policies for protection of consumer privacy.

Finally, the Company has a policy and established operating procedures that comply with the FCC's Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011). Certification of the Company's compliance with CPNI rules and a description of the Company's operating procedures that ensure compliance are filed annually with the FCC.

LINE 610 - FUNCTIONALITY IN EMERGENCY SITUATIONS

Alenco Communications Inc. ("the Company") is able to function in emergency situations for both voice and broadband service. The Company has a reasonable amount of back-up power to ensure functionality without an external power source. Standby power generators are supplied at the central office, remote switch sites, and repeater sites to ensure functionality without an external power source until power is restored. Portable generators are stored at strategic locations to be deployed as needed. The network is capable of managing traffic spikes resulting from emergency situations.

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

LINE 1010 – VOICE SERVICES RATE COMPARABILITY

The Wireline Competition Bureau's most recent reasonable comparability benchmark for voice services is \$46.96, which includes the federal subscriber line charge ("SLC").¹

In the exchanges served by Alenco Communications Inc. ("the Company"), the highest single-line residential local rate, including any mandatory extended area service charge, is \$14.75. When the federal SLC (\$6.50) and the state universal service fee (\$.55) are included, the rate becomes \$21.80. Therefore, the Company's pricing of fixed voice services is less than the reasonable comparability benchmark of \$46.96.

¹ *Wireline Competition Bureau Announces Results of Urban Rate Survey for Voice Services; Seeks Comment on Petition for Extension of Time to Comply With New Rate Floor*, WC Docket No. 10-90, DA 14-384 (rel. Mar. 20, 2014), p. 2.

LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS

Residential customers of Alenco Communications Inc. (“the Company”) who qualify for the Lifeline Program receive a discount of \$12.75 on local voice telephony service (\$9.25 federal discount + \$3.50 state discount).

In seven of the Company’s exchanges, the Lifeline single-line residential rate, including any mandatory extended area service charge and the federal subscriber line charge (“SLC”), is \$7.75 (\$20.50 standard rate - \$12.75 discount). This rate applies to the following exchanges: Carlton, Alexander, Sylvester, McCaulley, Maryneal, Knippa, and Donie.

In three of the Company’s exchanges, the Lifeline single-line residential rate, including the federal SLC, is \$8.50 (\$21.25 standard rate - \$12.75 discount). This rate applies to the following exchanges: West Marietta, Modeana, and Dolores.

All single-line residential customers, including Lifeline customers, have an unlimited number of minutes for calls made within their local calling area.

Toll charges for calls outside of the local calling area are determined by the long distance carrier of the customer’s choosing. Customers may elect to subscribe to toll blocking at no charge.

Lifeline Program reductions do not apply to additional services such as information-related services and custom calling features. Lifeline customers may subscribe to these services, where available, at the same rates offered to other customers.

Additional information regarding the terms and conditions of voice telephony Lifeline plans can be found at <http://www.aciglobal.com/pdfs/Rates-and-LifeLine-Notice.pdf>.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0031. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

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 USC 901 et seq and subject to federal laws and regulations regarding confidential information, will be treated as confidential. BORROWER NAME Alenco Communications, Inc.
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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, 2013	BORROWER DESIGNATION TXC654
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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

Richard Allen 3/31/2014
 _____ 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. Recquired 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 = 54.921 % of Total Assets

<p>USDA-RUS</p> <p>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	<p>BORROWER DESIGNATION</p> <p>TX0654</p> <p>PERIOD ENDING</p> <p>December, 2013</p>
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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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**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

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BORROWER DESIGNATION

TX0654

PERIOD ENDED

December, 2013

INSTRUCTIONS - See RUS Bulletin 1744-2

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)
Alexander	21.20	14.00					
Carlton	21.20	14.00					
Dclores	17.25	14.75					
Donie	19.10	14.00					
Krippa	16.75	14.00					
Maryneal	26.10	14.00					
McCauhey	26.10	14.00					
Modeana	17.25	14.75					
Sylvester	26.10	14.00					
West Marietta	17.25	14.75					
MobileWireless							
Route Mileage Outside Exchange Area							
Total							
No. Exchanges	10						

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION TX0654 PERIOD ENDING December, 2013
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INSTRUCTIONS- See RUS Bulletin 1744-2

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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
14	10	4,835	.37	1.46

PART E. TOLL DATA	
1. Study Area ID Code(s) a. 442090 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one) Interstate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis Intrastate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis

PART F. FUNDS INVESTED IN PLANT DURING YEAR	
1. RUS, RTB, & FFB Loan Funds Expended	0
2. Other Long-Term Loan Funds Expended	0
3. Funds Expended Under RUS Interim Approval	0
4. Other Short-Term Loan Funds Expended	0
5. General Funds Expended (Other than Interim)	0
6. Salvaged Materials	0
7. Contribution in Aid to Construction	0
8. Gross Additions to Telecom. Plant (1 thru 7)	0

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

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION TX0654 <hr/> PERIOD ENDING December, 2013
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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	

USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	BORROWER DESIGNATION TX0654 PERIOD ENDED December, 2013
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)	
<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)	
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) Reconciling adjustments including plant retirements	
28. Net Cash Provided/(Used) by Investing Activities	
29. Net Increase/(Decrease) in Cash	
30. Ending Cash	

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<p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>PERIOD ENDED</p> <p>December, 2013</p>
<p>NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	
<p>ALL INFORMATION IN THIS REPORT IS PROPRIETARY AND CONFIDENTIAL</p>	

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<p>INSTRUCTIONS - See RUS Bulletin 1744-2</p>	<p>PERIOD ENDED</p> <p>December, 2013</p>
<p>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</p>	