

SECTION 3

LOCAL SERVICE RATES

LIFELINE SERVICE

A. GENERAL

Lifeline Service is an offering designed to help qualified customers pay for their Local Exchange Service. Such qualified customers are charged a reduced rate for their local telephone service.

B. REGULATIONS

1. Lifeline Service is available to qualified customers and is provided via a residence individual message rate dial tone line.
2. Lifeline Service is Local Exchange Service and, as such, is subject to the regulations governing Local Exchange Service in Section 3 of this tariff. Lifeline customers will receive a flat rate monthly discount as specified in C. of this Section 3.
3. In order to qualify for Lifeline Service, a customer must be certified in accordance with Federal Communications Commission rules found in CFR § 54.410(c) by the Maryland Department of Human Resources to the Telephone Company as receiving assistance under Title 5, subtitle 3 of the Human Services Article including (Temporary Cash Assistance (TCA), Supplemental Nutrition Assistance Program (SNAP), State Funded: Temporary Disability Assistance Program (TDAP), and Public Assistance to Adults (PAA)), Assistance from the Electric Universal Service Program, Assistance from the Maryland Energy Assistance Program, State-funded public assistance benefits, or Supplemental Security Income (SSI).
4. Lifeline Service will continue to be provided to a customer only so long as such customer is receiving benefits as specified in 3. preceding. The continuation of qualification for Lifeline Service must be recertified by the Maryland Department of Human Resources, every 12 months for customers receiving Supplemental Security Income benefits, and every six months for customers receiving other benefits specified in 3. preceding, following the establishment of the Lifeline Service. Without such recertification, the customer's Lifeline Service will be discontinued.
5. When the Telephone Company receives notice from the Maryland Department of Human Resources, or the customer, that the customer is no longer receiving benefits as specified in 3. preceding, the Telephone Company will then notify the customer that the Lifeline Service will be disconnected or changed to another class of residence service.

(C)
|
(C)

SECTION 3

LOCAL SERVICE RATES

LIFELINE SERVICE (CONT'D)

B. REGULATIONS (CONT'D)

6. A customer to Lifeline Service may not subscribe to any other Local Exchange Service on the same premises. In addition, a Lifeline customer may not subscribe to any additional telephone services including foreign central office, foreign exchange, and foreign zone services.
7. A subscriber may elect at the time of subscription to Lifeline Service to receive Toll Blocking Service as part of Lifeline Service. "Toll Blocking Service" is a service that allows a subscriber to elect not to allow the completion of outgoing toll calls from the subscriber's residence.
8. The Company may not collect a service deposit in order to initiate Lifeline Service. Lifeline Service will not be disconnected for non-payment of toll charges.
9. Lifeline Service provides a flat rate monthly Federal credit of \$9.25.
10. The Company shall apply the baseline payments received by the administrator of the federal Lifeline Service program to waive the qualifying customer's federal End-User Common Line Charge. The Company shall apply any additional federal support amount to the qualifying customer's basic local exchange service rate.
11. To be eligible for Lifeline Service, qualifying customers must subscribe to the residential Touch-Tone Service offering that is made available in the Company's service area as indicated on Leaf 1 in this Section and must pay all related charges associated with E-911 services and, when applicable, directory assistance and operator service charges.
12. Partial payments that are received from Lifeline Service customers shall first be applied to local service charges and then to any outstanding toll charges.

(C)
|
(C)

SECTION 3

LOCAL SERVICE RATES

LIFELINE SERVICE (CONT'D)

B. REGULATIONS (CONT'D)

14. All aspects of the Lifeline Service program shall be subject to the interpretation of applicable Federal regulations and any directives which may from time to time be prescribed by the Universal Service Administrative Company. These rules are separate and apart from any rules prescribed as part of a state Universal Service program.

C. RATES

1. Lifeline Service Dial Tone Line,
credit per month ... \$9.25 (C)
(C)
(C)
2. For the installation of new Local Exchange Service as a Lifeline Service, effective April 1, 2012, the applicable Service Charges discount is eliminated.
3. For changes to a Lifeline Service for a qualified customer, the Service Charges specified in Section 6 of this Tariff do not apply. If a customer no longer qualifies for Lifeline Service, no Service Charges apply for changing to a Residence Local Exchange Service normally provided to the customer's premises as specified in Section 2 preceding.

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Armstrong Telephone Company - Maryland, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Armstrong Telephone Company – Maryland, Inc., which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of operations, stockholder's 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

REDACTED - FOR PUBLIC INSPECTION

REPORT OF INDEPENDENT AUDITORS (continued)

We believe that the audit evidence 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 Armstrong Telephone Company – Maryland, Inc. as of September 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington
January 14, 2014

REDACTED - FOR PUBLIC INSPECTION

ARMSTRONG TELEPHONE COMPANY - MARYLAND, INC.
BALANCE SHEETS

ASSETS

	September 30,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ [REDACTED]	\$ [REDACTED]
Subscriber accounts receivable, net of allowance of \$ [REDACTED] in 2013 and \$ [REDACTED] in 2012	[REDACTED]	[REDACTED]
Other accounts receivable, net of allowance of \$ [REDACTED] in 2013 and \$ [REDACTED] in 2012	[REDACTED]	[REDACTED]
Material and supplies	[REDACTED]	[REDACTED]
Income tax receivable, parent company	[REDACTED]	[REDACTED]
Other current assets	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total current assets	[REDACTED]	[REDACTED]
NONCURRENT ASSETS		
Other noncurrent assets	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
PROPERTY, PLANT, AND EQUIPMENT		
Telecommunications plant in service	[REDACTED]	[REDACTED]
Nonregulated plant in service	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Less accumulated depreciation	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
	\$ [REDACTED]	\$ [REDACTED]
	<hr/>	<hr/>

REDACTED - FOR PUBLIC INSPECTION

**ARMSTRONG TELEPHONE COMPANY - MARYLAND, INC.
BALANCE SHEETS**

LIABILITIES AND STOCKHOLDER'S EQUITY

	September 30,	
	2013	2012
CURRENT LIABILITIES		
Accounts payable	\$ [REDACTED]	\$ [REDACTED]
Advance billing	[REDACTED]	[REDACTED]
Income tax payable, parent company	[REDACTED]	[REDACTED]
Related party note payable	[REDACTED]	[REDACTED]
Other accrued liabilities	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
Total current liabilities	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
OTHER LIABILITIES AND DEFERRED CREDITS		
Deferred income taxes	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
STOCKHOLDER'S EQUITY		
Common stock (\$ [REDACTED] par value; [REDACTED] shares authorized, [REDACTED] shares issued and outstanding)	[REDACTED]	[REDACTED]
Retained earnings (deficit)	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
	[REDACTED]	[REDACTED]
	<hr/>	<hr/>
	\$ [REDACTED]	\$ [REDACTED]
	<hr/>	<hr/>

REDACTED - FOR PUBLIC INSPECTION

ARMSTRONG TELEPHONE COMPANY - MARYLAND, INC.
STATEMENTS OF OPERATIONS

	Years Ended September 30,	
	2013	2012
Operating revenues		
Wireline		
Customer	\$ ██████████	\$ ██████████
Intercarrier	██████████	██████████
Interstate	██████████	██████████
Intrastate	██████████	██████████
Universal service support - federal	██████████	██████████
Internet	██████████	██████████
Miscellaneous		
Equipment	██████████	██████████
Carrier billing and collection	██████████	██████████
Other	██████████	██████████
Directory	██████████	██████████
Uncollectible	██████████	██████████
Total operating revenues	██████████	██████████
Operating expenses		
Plant specific operations	██████████	██████████
Plant nonspecific operations	██████████	██████████
Depreciation	██████████	██████████
Customer operations	██████████	██████████
Corporate operations	██████████	██████████
Other operating taxes	██████████	██████████
Nonregulated	██████████	██████████
Total operating expenses	██████████	██████████
Net operating loss	██████████	██████████
Nonoperating income (expense)		
Interest and dividend income	██████████	██████████
Interest expense	██████████	██████████
Other nonoperating expense	██████████	██████████
Total nonoperating expense	██████████	██████████
Loss before income taxes	██████████	██████████
Income tax benefit	██████████	██████████
Net loss	\$ ██████████	\$ ██████████

REDACTED - FOR PUBLIC INSPECTION

ARMSTRONG TELEPHONE COMPANY - MARYLAND, INC.
STATEMENTS OF CASH FLOWS

	Years Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation	[REDACTED]	[REDACTED]
Deferred income taxes	[REDACTED]	[REDACTED]
Change in assets and liabilities		
Receivables	[REDACTED]	[REDACTED]
Material and supplies	[REDACTED]	[REDACTED]
Other assets	[REDACTED]	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Advance billing	[REDACTED]	[REDACTED]
Other accrued liabilities and taxes	[REDACTED]	[REDACTED]
Net cash from operating activities	[REDACTED]	[REDACTED]
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisition of nonregulated plant	[REDACTED]	[REDACTED]
Net acquisition of property, plant, and equipment	[REDACTED]	[REDACTED]
Proceeds from sale of property, plant, and equipment	[REDACTED]	[REDACTED]
Net cash from investing activities	[REDACTED]	[REDACTED]
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on related party note	[REDACTED]	[REDACTED]
Proceeds from related party note	[REDACTED]	[REDACTED]
Net cash from financing activities	[REDACTED]	[REDACTED]
NET CHANGE IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS at beginning of year	[REDACTED]	[REDACTED]
CASH AND CASH EQUIVALENTS at end of year	\$ [REDACTED]	\$ [REDACTED]
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for		
Interest	\$ [REDACTED]	\$ [REDACTED]
Income taxes	\$ -	\$ -