



FCC Form 481

Line 510 – Description of Compliance with Service Quality Standards and Consumer Protection

Rice Belt Telephone Company Inc. maintains compliance with service quality standards through the use of a variety of tools, including:

1. daily, weekly, and monthly detailed service quality reports;
2. ongoing employee service quality training;
3. regular follow-up inspections of service installation and repairs;
4. proactive maintenance programs;
5. installation of the latest technologies, such as fiber and IP-based equipment;
6. extensive network monitoring equipment; and,
7. 24/7/365 service repair availability

Rice Belt Telephone Company Inc. maintains compliance with consumer protection rules through the use of a variety of tools, including:

1. ongoing employee training on consumer protection rules;
2. working with industry experts to identify and incorporate consumer protection best practices into our processes;
3. automated systems using the latest security measures to protect sensitive data;
4. monitoring of customer service calls with customers; and,
5. regular updates to senior management on consumer protection activities

REDACTED - FOR PUBLIC INSPECTION

Annual Reporting for High-Cost Recipients
46 C.F.R. §54.313 (a)(2) through (a)(6) and (h)
Rice Belt Telephone Company Inc.

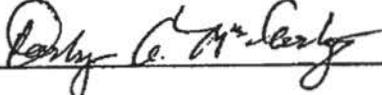
§54.131(a)(5)-COMPLIANCE WITH SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES

Service Quality Standards and Consumer Protection Rules Annual Certification

<u>Darby A. McCarty</u>	<u>President</u>	<u>Rice Belt Telephone Company, Inc.</u>
Printed Name of Officer	Title of Officer	Company Name

I am authorized to provide this certification on behalf of the Company. I hereby certify that the Company is in compliance with applicable service quality standards and consumer protection rules.

Executed on 6-25-14
Date

Signature 

Printed/Typed Name Darby A. McCarty



Rice Belt Telephone Company's Ability to Function in Emergency Situations

Rice Belt Telephone Company ("Company") hereby certifies that it is able to function in emergency situations as set forth in the Code of Federal Regulations, Title 47, Part 54, Subpart C, §54.202(a)(2). The Company's network is designed to remain functional in emergency situations without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations as required by Section 54.202(a)(2). The Company can change call routing translations as needed to reroute traffic around damaged facilities. Changing call routing translations will also allow the Company to manage traffic spikes throughout its network, as emergency situations require.

Each central office building is supplied with standby generators and battery reserve that enable it to keep running until power is restored so long as fuel is available, or until system changes are made to reroute traffic. The Company has battery backup at all office locations and in its electronic equipment sites and has a maintenance program in place.

Critical core production data (billing, customer, and plant) is stored within a hosted application so it is available from any location. All other network data is backed up to tape on a nightly, weekly and monthly basis. Backup tapes are rotated offsite to a fireproof file cabinet. In addition, there is a one-way replication from the production network to the Company's disaster recovery network daily.

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Annual Reporting for High-Cost Recipients
47 C.F.R. §54.313(a)(2) through (a)(6) and (h)
Rice Belt Telephone Company Inc.

§54.313(a)(6)-ABILITY TO FUNCTION IN EMERGENCY SITUATIONS

Ability to Function in Emergency Situations Annual Certification

<u>Darby A. McCarty</u>	<u>President</u>	<u>Rice Belt Telephone Company Inc.</u>
Printed Name of Officer	Title of Officer	Company Name

I am authorized to provide this certification on behalf of the Company. I hereby certify that the Company is capable of functioning in emergency situations. The Company has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations.

Executed on 6/25/2014
Date

Signature Darby A. McCarty

Printed/Typed Name Darby A. McCarty

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Rice Belt Holdings, Inc.

Independent Accountants' Review Report and
Consolidated Financial Statements

December 31, 2013 and 2012

BKD_{LLP}
CPAs & Advisors

Rice Belt Holdings, Inc.
December 31, 2013 and 2012

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Independent Accountants' Review Report

Board of Directors
Rice Belt Holdings, Inc.
Ellettsville, Indiana

We have reviewed the accompanying consolidated balance sheets of Rice Belt Holdings, Inc., a wholly-owned subsidiary of Smithville Holding Company, Inc., as of December 31, 2013 and 2012, and the related consolidated statements of income, stockholder's equity and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, and we did not become aware of any material modifications that should be made to such information.

Bloomington, Indiana
April 23, 2014

Rice Belt Holdings, Inc.
Consolidated Statements of Income
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Network access service	\$ [REDACTED]	\$ [REDACTED]
Local network service	[REDACTED]	[REDACTED]
Internet service	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Operating Expenses	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Operating Income	[REDACTED]	[REDACTED]
Other Non-Regulated Income	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Net Income	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>

Rice Belt Holdings, Inc.
Consolidated Statements of Stockholder's Equity
Years Ended December 31, 2013 and 2012

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Stockholder's Equity
Balance, January 1, 2012	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Net income	-	-	[REDACTED]	[REDACTED]
Balance, December 31, 2012	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Net income	-	-	[REDACTED]	[REDACTED]
Balance, December 31, 2013	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

Rice Belt Holdings, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Operating Activities		
Net income	\$ [REDACTED]	\$ [REDACTED]
Items not requiring cash		
Depreciation	[REDACTED]	[REDACTED]
Provision for doubtful accounts	[REDACTED]	[REDACTED]
Limited partnership interest	[REDACTED]	[REDACTED]
Changes in		
Accounts receivable	[REDACTED]	[REDACTED]
Inventory	[REDACTED]	[REDACTED]
Prepaid and other assets	[REDACTED]	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Accrued expenses and other liabilities	[REDACTED]	[REDACTED]
Net cash provided by operating activities	[REDACTED]	[REDACTED]
Investing Activities		
Additions to property and equipment	[REDACTED]	[REDACTED]
Proceeds from sale of property and equipment	[REDACTED]	[REDACTED]
Repayment of related party balances	[REDACTED]	[REDACTED]
Net cash used in investing activities	[REDACTED]	[REDACTED]
Increase (Decrease) in Cash	[REDACTED]	[REDACTED]
Cash, Beginning of Year	[REDACTED]	[REDACTED]
Cash, End of Year	\$ [REDACTED]	\$ [REDACTED]

Rice Belt Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Rice Belt Holdings, Inc. (the Company), a wholly-owned subsidiary of Smithville Holding Company, Inc., is a privately owned holding company that is headquartered in Ellettsville, Indiana. The Company's service area is primarily in southeastern Arkansas. The Company also manages its investments in the following wholly-owned subsidiaries:

Rice Belt Telephone, Inc. (Telephone) is a regulated telephone exchange carrier which earns revenues predominately from local phone, access, intraLATA toll, directory, DSL and other telephone related services.

Rice Belt Communications, Inc. (Communications) is a non-regulated company that provides broadband services utilizing Ethernet technology.

Rice Belt Properties, Inc. (Properties) is a non-regulated company that holds and manages real estate.

Rice Belt Cellular, Inc. (Cellular) is an inactive non-regulated company.

Significant Accounting Policies

Telephone follows the Uniform System of Accounts prescribed by the Federal Communications Commission (FCC) and the Arkansas Public Service Commission (APSC), which conform in all material respects to accounting principles generally accepted in the United States of America. The non-regulated companies' significant accounting policies conform, in all material respects, to accounting principles generally accepted in the United States of America.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Telephone, Communications, Properties and Cellular. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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.

Rice Belt Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Cash

At December 31, 2013, the Company's cash accounts exceeded federally insured limits by approximately [REDACTED]

Accounts Receivable

Accounts receivable are stated at the amount billed to customers. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. If a customer account exceeds 30 days outstanding, a notice of past due status is delivered to the customer. If amount is not paid within eight days of the notice, service is terminated and the customer can only be reactivated if they pay the outstanding balance plus a service fee. Accounts receivable are ordinarily due upon receipt of an invoice. Accounts that are unpaid after the due date incur a late fee. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Inventory Pricing

Inventories consist of telecommunications related equipment. Inventories are stated at the lower of cost or market using the weighted-average cost method.

Property and Equipment

Telecommunication plant in service is stated at original cost and includes materials, labor, transportation and certain indirect items such as engineering, supervision and employee benefits. Additions, replacements and renewals determined to be units of property are generally charged to telecommunication plant accounts.

For the Company's regulated and non-regulated operations, composite group depreciation methodology is followed; accordingly, depreciation is provided using a composite straight-line method based on the estimated lives of the various classes of depreciable property. Composite depreciation rates, as applied to the average cost of depreciable property, were approximately [REDACTED] and [REDACTED] in 2013 and 2012, respectively. Retirements of regulated telecommunication plant are generally charged in total to the accumulated depreciation account, together with the cost of removal less salvage. A gain or loss is recognized at the time of retirement or disposal of non-regulated property and equipment.

The Company charges maintenance and repairs, including the cost of renewals of minor items of property, to the plant-specific operations expense accounts.

Rice Belt Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Long-lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2013 and 2012.

Income Taxes

The stockholder of the various corporations have elected to have the Companies income taxed as an "S" Corporation under provisions of the Internal Revenue Code and a similar section of the state income tax laws. Therefore, taxable income or loss is reported to the individual stockholder for inclusion in its respective tax returns and no provision for federal and state income taxes is included in these statements.

With a few exceptions, the Companies are no longer subject to U.S. Federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2010.

Revenue Recognition

Revenues are recognized in the period in which they are earned. Revenue sources for the Companies are comprised of network access service, local and long-distance phone services and internet service.

Telephone's network access and long distance service revenues are derived from charges for access to the Company's local exchange network. The interstate portion of access revenues is based on a cost separation procedure settlement formula administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. The intrastate portion of access revenues is billed on an individual company tariff access charge structure based on expense and plant investment of the Company as approved by the state regulatory authority. The tariffs developed from these formulas are used to charge the connecting carrier and recognize revenues in the period the traffic is transported based on the minutes of traffic carried. Long distance revenues are recognized at the time a call is placed based on the minutes of traffic processed at contracted rates.

Reported network access revenues are estimates subject to settlement adjustments in the near term resulting from changes in expense and plant investment levels and rate of return experience.

Taxes Collected From Customers and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statement of income on a net basis.

Rice Belt Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 2: Accounts Receivable

Accounts receivable consist of the following:

	<u>2013</u>	<u>2012</u>
Telecommunication receivables	\$ [REDACTED]	\$ [REDACTED]
NECA, USF and other receivables	[REDACTED]	[REDACTED]
Provision for doubtful accounts	[REDACTED]	[REDACTED]
	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>

Note 3: Property and Equipment

	<u>2013</u>	<u>2012</u>
Telecommunication plant in service	\$ [REDACTED]	\$ [REDACTED]
Telecommunication plant under construction	[REDACTED]	[REDACTED]
Non-regulated property and equipment	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Less accumulated depreciation	[REDACTED]	[REDACTED]
	<u>\$ [REDACTED]</u>	<u>\$ [REDACTED]</u>

Note 4: Multiemployer Pension Plan

The Company contributes to a multiemployer defined benefit pension plan under the terms of an agreement that covers its employees, all of which are non-union. The risks of participating in a multiemployer plan are different from single-employer plans in the following aspects:

1. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Company chooses to stop participating in a multiemployer plan, the Company 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 years ended December 31, 2013 and 2012, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee

Rice Belt Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Identification Number (EIN) and the three-digit plan number. The plan does not have a certified zone status as currently defined by the Pension Protection Act of 2006 (PPA) because the Program is considered a multiple employer plan pursuant to the Internal Revenue Code and ERISA. However, the plan is considered a multiemployer plan for financial reporting purposes. The "FIP/RP Status Pending/Implemented" column indicates if a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/ Implemented	Contributions of the Company		Surcharge Imposed
				2013	2012	
National Telecommunications Cooperative Association	52-0741336-333	N/A	N/A	\$ [REDACTED]	\$ [REDACTED]	No

The Company was not listed in its plan's Form 5500 as providing more than 5 percent of the total contributions for the 2012 plan year. At the date the financial statements were issued, Form 5500 was not available for the plan year ending in 2013.

Note 5: Related Party Transactions

The Company has accounts payable due to a company or companies related through common ownership. The outstanding balance is unsecured and has been classified as a long-term liability. However, the outstanding balance may be repaid at management's discretion based upon available cash, capital needs and other operating considerations.

Note 6: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

General Litigation

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

Asset Retirement Obligations

Asset retirement obligations are recorded when the Company has a legal obligation to remediate the property and the amount can be reasonably estimated. No such liabilities were accrued at December 31, 2013 and 2012. Based on existing conditions, the Company believes that such costs,

Rice Belt Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

if any, would not have a material adverse effect on its financial position or the annual results of its operations.

Note 7: Subsequent Events

During February 2014, a new entity was formed, Rice Belt Security, LLC (Security). This entity is wholly-owned by Rice Belt Holdings, Inc. and will be operated by its management team. Security will provide alarm monitoring and other security services to residential and commercial customers in the Arkansas operating area.

Subsequent events have been evaluated through the date of the Independent Accountants' Review Report, which is the date the financial statements were available to be issued.

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Supplementary Information

Rice Belt Holdings, Inc.
Consolidating Schedule – Balance Sheet Information
December 31, 2013

	Rice Belt Holdings, Inc.	Rice Belt Telephone, Inc.	Rice Belt Communications, Inc.	Rice Belt Properties, Inc.	Eliminating Entries	Rice Belt Holdings, Inc. Consolidated
Assets						
Current Assets						
Cash	0	0	0	0	0	0
Accounts receivable	-	-	-	-	-	-
Accounts receivable - related party	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Prepaid and other assets	-	-	-	-	-	-
Total current assets	-	-	-	-	-	-
Property and Equipment, net	-	-	-	-	-	-
Investment in Subsidiaries	-	-	-	-	-	-
	-	-	-	-	-	-
Liabilities and Stockholder's Equity						
Current Liabilities						
Accounts payable	-	-	-	-	-	-
Accrued expenses and other liabilities	-	-	-	-	-	-
Total current liabilities	-	-	-	-	-	-
Accounts Payable - Related Party	-	-	-	-	-	-
Stockholder's Equity (Deficit)						
Common stock	-	-	-	-	-	-
Additional paid-in capital	-	-	-	-	-	-
Retained earnings (accumulated deficit)	-	-	-	-	-	-
Total stockholder's equity (deficit)	-	-	-	-	-	-
	-	-	-	-	-	-

Rice Belt Holdings, Inc.
Consolidating Schedule – Statement of Income and Equity Information
Year Ended December 31, 2013

	Rice Belt Holdings, Inc.	Rice Belt Telephone, Inc.	Rice Belt Communications, Inc.	Rice Belt Properties, Inc.	Eliminating Entries	Rice Belt Holdings, Inc. Consolidated
Operating Revenues						
Network access service	•	•	•	•	•	•
Local network service		•	•	•	•	•
Internet service		•	•	•	•	•
Operating Expenses	•	•	•	•	•	•
Operating Income (Loss)	•	•	•	•	•	•
Other Income (Expense)						
Income from subsidiaries	•	•	•	•	•	•
Other		•	•	•	•	•
Net Income (Loss)	•	•	•	•	•	•
Equity (Deficit), Beginning of Year	•	•	•	•	•	•
Equity (Deficit), End of Year	•	•	•	•	•	•

Rice Belt Holdings, Inc.
Consolidating Schedule – Statement of Cash Flows Information
Year Ended December 31, 2013

	Rice Belt Holdings, Inc.	Rice Belt Telephone, Inc.	Rice Belt Communications, Inc.	Rice Belt Properties, Inc.	Eliminating Entries	Rice Belt Holdings, Inc. Consolidated
Operating Activities						
Net income (loss)	●	●	●	●	●	●
Items not requiring (providing) cash						
Depreciation		●	●	●	●	●
Provision for doubtful accounts		●	●	●	●	●
Income from subsidiaries	●				●	
Changes in						
Accounts receivable		●	●	●	●	●
Inventory		●	●	●	●	●
Prepaid and other assets		●	●	●	●	●
Accounts payable	●	●	●	●	●	●
Accrued expenses and other liabilities		●	●	●	●	●
Net cash provided by (used in) operating activities	●	●	●	●	●	●
Investing Activities						
Additions to property and equipment		●	●	●	●	●
Proceeds from sale of property and equipment		●	●	●	●	●
Advances (repayment) of related party balances		●	●	●	●	●
Net cash provided by (used in) investing activities		●	●	●	●	●
Increase (Decrease) in Cash		●	●	●	●	●
Cash, Beginning of Year		●	●	●	●	●
Cash, End of Year	●	●	●	●	●	●