YEAR 2001

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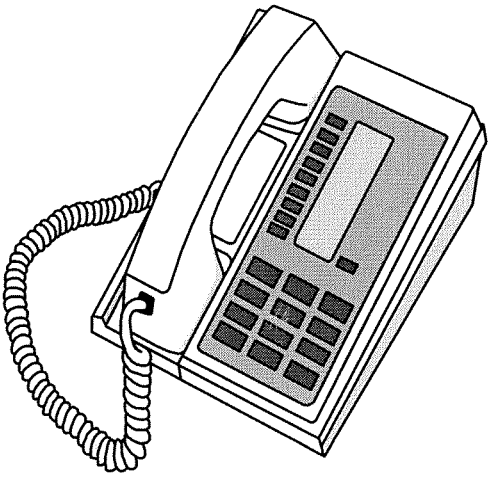
PUBLIC SERVICE
COMMISSION

# ANNUAL REPORT
OF
# Southern Montana Telephone Co.

## TELEPHONE UTILITY



TO THE
PUBLIC SERVICE COMMISSION
STATE OF MONTANA
1701 PROSPECT AVENUE
P.O. BOX 202601
HELENA, MT 59620-2601

ORIGINAL INCLUDES
PROPRIETARY MATERIAL

REVISED JULY 28, 1998

# Telephone Annual Report

Instructions

## General

1. A Microsoft EXCEL 97 workbook of the annual report is being provided on computer disk for your convenience. The workbook contains the schedules of the annual report. Each schedule is on the worksheet named that schedule. For example, Schedule 1 is on the sheet titled "Schedule 1". By entering your company name in the cell named "Company" of the first worksheet, the spreadsheet will put your company name on all the worksheets in the workbook. The same is true for inputting the year of the report in the cell named "YEAR". You can "GOTO" the proper cell by using the F5 key and selecting the name of the cell.

2. The workbook contains input sections that are unprotected, and non-input sections that are protected. Cell protection can be disabled or enabled through "TOOLS – PROTECTION – UNPROTECT SHEET" on your toolbar. Formulas and checks are built into most of the templates.

3. Use of the disk is optional. The disk and the report cover shall be returned when the report is filed. There are macros built into the workbook to assist you with the report. An explanation of the macros is on the "Control" worksheet at the front of the workbook. The explanations start at cell A1.

4. All forms must be filled out in permanent ink and be legible. Note: Even if the computer disk is used, a printed version of the report shall be filed. **Please submit one unbound copy of the annual report along with the regular number of annual reports that you submit**. This aids in scanning the report so that it may be published on our web site. The orientation and margins are set up on each individual worksheet and should print on one page. If you elect not to use the disk, please format your reports to fit on one 8.5'' by 11'' page with the left binding edge (top if landscaped) set at .85'', the right edge (bottom if landscaped) set at .4'', and the remaining two margins at .5''. You may select specific schedules to print – See the worksheet "CONTROL".

5. Unless otherwise indicated, all information required in these schedules shall be from the accounts prescribed in 47 C.F.R. Part 32 and the definitions and instructions therein will apply to this report wherever applicable.

6. Information on financial schedules may be rounded to thousands of dollars for companies with over 5,000 access lines. Companies submitting schedules rounded to thousands should so indicate at the top of the schedule.

7. Where more space is needed or more than one schedule is needed additional schedules may be attached and should be included directly behind the original schedule to which it pertains and be labeled accordingly (for example, Schedule 1A).

8. The information required with respect to any statement shall be furnished as a minimum requirement to which shall be added such further information as is necessary to make the required schedules not misleading.

9. The following schedules should be filled out with information on a total company basis:

   Schedules 1 - 4
   Schedule 10
   Schedules 13 - 17
   Schedule 19
   Schedule 20, Page 1 of 2
   Schedules 33 and 34

   All other schedules should be filled out with Montana specific data. Financial schedules should include all amounts originating in Montana or allocated to Montana from other jurisdictions.

10. All companies owned by another company shall attach a corporate structure chart of the holding company.

11. The following schedules are not required to be filled out or submitted by companies with less than 5,000 access lines:

    Schedule 6
    Schedules 17 and 18
    Schedule 21

12. Schedules that have no activity during the year or are not applicable to the respondent should be marked as not applicable and submitted with the report.

13. Companies with under 5,000 lines may use summary accounts and should leave lines for subaccounts blank. Summary accounts are noted with an asterisk and subaccounts that are not required are noted with a caret.

14. Companies with over 5,000 lines must complete schedules to all required subaccount detail.

15. FCC Form M sheets may not be substituted in lieu of completing annual report schedules.

16. Common sense must be used when filling out all schedules.

## Specific Instructions

**Schedules 3 through 9**

1. **Schedules 3, 4, and 9** should include all notes to the financial statements required by the FCC or included in the financial statements issued as audited financial statements. These notes should be included in the report directly behind the schedules and should be labeled appropriately (Schedule 3A, etc.).

2. **Schedule 5** may be omitted for companies doing business only in Montana.

3. **Schedule 6** is not required for companies with under 5,000 lines.
4. **Schedule 7** must be completed by all companies. For companies under 5,000 lines, this schedule may be completed on a total state basis. Any such company completing the form on a total state basis shall indicate this fact clearly on the form.

5. **Schedule 8** - Companies with less than 5,000 lines are not required to fill out the intrastate portion. The regulated rate base must be separated from the deregulated rate base but this may be done on a total state basis. Any company so doing shall clearly indicate this on the form.

6. Only accounts designated on **Schedule 8** may be included in rate base. Only companies who have specifically been authorized in a Commission order to include cash working capital in rate base may fill out line 8 on Schedule 8. Cash working capital must be calculated using the methodology approved in the Commission order. The most recent Commission Order, and Docket, specifying cash working capital shall be noted on the schedule.

7. **Schedule 9** - Instructions to complete are similar to those used for the Statement of Cash Flows in the FCC Form M.

**Schedule 10**

1. For the purpose of this schedule, nonofficial companies shall include any company in which the respondent has an ownership interest which does not meet the definition of an affiliated company set out in 47 C.F.R. Section 32.9000. This schedule shall not include telecommunications accounts receivable from other customers.

**Schedule 11**

1. All amounts listed in Column f that represent individual items for which the higher of cost or market value was in excess of $50,000 for companies with under 5,000 lines and in excess of $100,000 for companies with over 5,000 lines must be fully explained in notes to this schedule. The explanation must include the plant description and location, the original cost, the net book cost, the market value, the value at which it was transferred or the price at which it was sold, and the party to which it was transferred or sold.

**Schedule 12**

1. Respondents shall list each item amounting individually to $100,000 or more and report all others in the aggregate.

2. Amounts in Column f relating to individual items exceeding $50,000 shall be fully explained.

**Schedule 15**

1. Line 1 must be completed by all companies for the most recent calendar year. The retention and price/earnings ratios shall be calculated on a year end basis. Enter the actual year end market price in the "Year Ended" row. If the computer disk is used, enter the year end market price in the "High" column.

2. Lines starting at 9 shall be completed for each of the twelve months of the report year for all companies with over 5,000 access lines. Earnings per share and dividends per share shall be reported on a quarterly basis and entries shall be made only to the months that end the respective quarters (for example, March, June, September, and December.)

**Schedule 19**

1. All companies are required to submit this form. Companies with more than one plan (for example, both a retirement plan and a deferred savings plan) shall complete a schedule for each plan.

2. Companies with defined benefit plans must complete the entire form using FASB 87 and 132 guidelines.

3. Interest rate percentages shall be listed to two decimal places.

**Schedule 20**

1. All changes to the employee benefit plans shall be explained in a narrative on lines 15 and 16. All cost containment measures implemented in the reporting year shall be explained and quantified in a narrative on lines 15 & 16. All assumptions used in quantifying cost containment results shall be disclosed.

2. The schedule shall be filled out using FASB 106 and 132 guidelines.

**Schedule 21**

1. Respondents shall disclose all payments made during the year where the aggregate payment to the recipient was $25,000 or more. Payments must include fees, retainers, commissions, gifts, contributions, assessments, bonuses, subscriptions, allowances for expenses or any other form of payment for services or as a donation.

**Schedule 23**

1. Respondents shall provide an attached sheet detailing the type and corresponding number of access lines for all entries in Column L (Other).

**Schedule 24**

1. Column (b). For each wire center that has a configuration of "Remote", Column (b) shall also reflect the respective "Host".

2. Column (c). Examples of Types of Switches are: Digital, Step by Step, and Crossbar.

**Schedule 25**

1. This schedule must be completed by all companies for the year following the reporting year.

**Schedule 26**

1. Respondents shall either report construction technicians and splicers as separate categories or footnote the appropriate categories and indicate the number of (1) construction technicians; and (2) splicers.

**Schedule 27**

1. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.

2. The above compensation items shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule to which it pertains.

3. If respondent is claiming protected status of salary information both a proprietary and non-proprietary copy of this schedule shall be filed. On the non-proprietary copy respondent shall indicate which columns respondent maintains are proprietary. A note stating that such information is being provided separately shall be included on the schedule. In no case shall either Column (a) - Name/Position, or Column (g) - Percent Increase Total Compensation, be considered proprietary. Respondent shall provide all requested information on the proprietary copy.

**Schedule 28**

1. Respondents shall provide all executive compensation information in conformance with that required by the Securities and Exchange Commission (SEC) (Regulation S-K Item 402, Executive Compensation).

2. Include in column (d) ALL additional forms of compensation, including, but not limited to: deferred compensation, deferred savings plan, profit sharing, supplemental or non-qualified retirement plan, employee stock ownership plan, restricted stock, stock options, stock appreciation rights, performance share awards, dividend equivalent shares, mortgage payments, use of company cars or car lease payments, tax preparation consulting, financial consulting, home security systems, company-paid physicals, subscriptions to periodicals, memberships, association or club dues, tuition reimbursement, employee discounts, and spouse travel.

3. All items included in Column (d) - Other Compensation shall be listed separately. Where more space is needed additional schedules may be attached and shall be included directly behind the original schedule.

4. In addition, respondents shall attach a copy of the executive compensation information provided to the SEC.

**Schedule 29**

1. Information from this schedule is consolidated with information from other Utilities and reported to the National Association of Regulatory Utility Commissioners (NARUC). Your assistance in completing this schedule, even though information may be located in other areas of the annual report, expedites reporting to the NARUC and is appreciated.

**Schedules 33 and 34**

1. Respondents shall report all transactions with affiliated companies.

2. Column (c). Respondents shall indicate in column (c) the method used to determine the price. Respondents shall indicate if a contract is in place between the Affiliate and the Utility. If a contract is in place, respondents shall indicate the year the contract was initiated, the term of the contract and the method used to determine the contract price.

3. Column (c). If the method used to determine the price is different than the previous year, respondents shall provide an explanation, including the reason for the change.

**Schedule 35**

1. Respondents shall provide an attached sheet detailing the account and the amount for all entries made to Lines 9 and 16.

2. Only companies who have specifically been authorized in a Commission Order to include cash working capital in rate base may include cash working capital in lines 9 or 16. Cash working capital must be calculated using the methodology approved in the Commission Order. The Commission Order specifying cash working capital shall be noted on the attached sheet.

3. Respondents shall indicate, for each adjustment on lines 30 through 42, if the amount is updated or if it is from the last rate case. All adjustments shall be calculated using Commission methodology.

**Schedule 36**

1. Respondents shall list the amount of tax accrued or paid for the fiscal year attributable to Montana sources for each of the listed taxes

**Schedule 37**

1. Respondents shall list the amount of Universal Service Funds received from Montana and from the federal government.

# Telephone Annual Report

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# General Information

Year: **2001**

1. Legal Name of Respondent: Southern Montana Telephone Company
2. Name Under Which Respondent Does Business: Southern Montana Telephone Company
3. Date of Incorporation: 1944
4. Address to send Correspondence Concerning Report: PO Box 205, Wisdom, MT 59761
5. Person Responsible for This Report: Conrad Eklund, General Manager

5a. Telephone Number: 406-689-3333

Control Over Respondent

1. If direct control over the respondent was held by another entity at the end of year provide the following:
   1a. Name and address of the controlling organization or person:

   1b. Means by which control was held:

   1c. Percent Ownership:

**Board of Directors**

| Line No. | Name of Director and Address (City, State) (a) | | Fees Paid During Year (b) |
|---|---|---|---|
| 1 | Robert G. Helming | Wisdom, MT 59761 | 9000 |
| 2 | Conrad Eklund | Wisdom, MT 59761 | 9000 |
| 3 | | | |
| 4 | | | |
| 5 | | | |
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| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | **Chairman of the Board:** | Robert G. Helming | |
| 19 | | | |
| 20 | | | |

# Officers

Year: 2001

| Line No. | Title of Officer (a) | Department Over Which Jurisdiction is Exercised (b) | Name and Address of Person Holding Office at Year End (c) |
|---|---|---|---|
| 1 | President | All Departments | Robert G. Helming |
| 2 | | | Wisdom, MT 59761 |
| 3 | | | |
| 4 | Secretary/Treasurer | All Departments | Conrad Eklund |
| 5 | | | Wisdom, MT 59761 |
| 6 | | | |
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**Company Name: Southern Montana Telephone Company**



# Total Company Balance Sheet

Year: 2001

| Line No. | | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|---|---|---|---|---|---|
| 1 | | | **CURRENT ASSETS:** | | |
| 2 | | 1120 | Cash and Equivalents | | |
| 3 | | 1180 | Telecommunications Accounts Receivable - Net | (See Attached Audited Financials) | |
| 4 | | 1190 | Other Accounts Receivable - Net | | |
| 5 | | 1200 | Notes Receivable - Net | | |
| 6 | | 1210 | Interest and Dividends Receivable | | |
| 7 | | 1220 | Materials and Supplies | | |
| 8 | * | 1280 | Prepayments | | |
| 9 | ^ | 1290 | Prepaid Rents | | |
| 10 | ^ | 1300 | Prepaid Taxes | | |
| 11 | ^ | 1310 | Prepaid Insurance | | |
| 12 | ^ | 1320 | Prepaid Directory Expenses | | |
| 13 | ^ | 1330 | Other Prepayments | | |
| 14 | | 1350 | Other Current Assets | | |
| 15 | | | **Total Current Assets** | | |
| 16 | | | **NONCURRENT ASSETS:** | | |
| 17 | | 1401 | Investments in Affiliated Companies | | |
| 18 | | 1402 | Investments in Nonaffiliated Companies | | |
| 19 | | 1406 | Nonregulated Investments | | |
| 20 | | 1407 | Unamortized Debt Issuance Expense | | |
| 21 | | 1408 | Sinking Funds | | |
| 22 | | 1410 | Other Noncurrent Assets | | |
| 23 | | 1438 | Deferred Maintenance and Retirements | | |
| 24 | | 1439 | Deferred Charges | | |
| 25 | | 1500 | Other Jurisdictional Assets - Net | | |
| 26 | | | **Total Noncurrent Assets** | | |
| 27 | | | **PROPERTY, PLANT, & EQUIPMENT:** | | |
| 28 | | 2001 | Telecommunications Plant in Service | | |
| 29 | | 2002 | Property Held for Future Telecommunications Use | | |
| 30 | | 2003 | Plant Under Construction - Short Term | | |
| 31 | | 2004 | Plant Under Construction - Long Term | | |
| 32 | | 2005 | Telecommunications Plant Adjustment | | |
| 33 | | 2006 | Nonoperating Plant | | |
| 34 | | 2007 | Goodwill | | |
| 35 | | 3100 | Accumulated Depreciation | | |
| 36 | | 3200 | Accumulated Depreciation - Held for Future Use | | |
| 37 | | 3300 | Accumulated Depreciation - Nonoperating | | |
| 38 | | 3400 | Accumulated Amortization | | |
| 39 | | | **Net Property, Plant, & Equipment** | | |
| 40 | | | **TOTAL ASSETS** | | |

^ Subaccount of account marked with a *.

# Total Company Balance Sheet

Year: 2001

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|---|---|---|---|---|
| 41 | | **CURRENT LIABILITIES:** | | |
| 42 | 4010 | Accounts Payable | (See Attached Audited Financials) | |
| 43 | 4020 | Notes Payable | | |
| 44 | 4030 | Advance Billing and Payments | | |
| 45 | 4040 | Customer Deposits | | |
| 46 | 4050 | Current Maturities - Long Term Debt | | |
| 47 | 4060 | Current Maturities - Capital Leases | | |
| 48 | 4070 | Income Taxes - Accrued | | |
| 49 | 4080 | Other Taxes - Accrued | | |
| 50 | 4100 | Net Current Deferred Operating Income Taxes | | |
| 51 | 4110 | Net Current Deferred Nonoperating Income Taxes | | |
| 52 | 4120 | Other Accrued Liabilities | | |
| 53 | 4130 | Other Current Liabilities | | |
| 54 | | **Total Current Liabilities** | | |
| 55 | | **LONG-TERM DEBT:** | | |
| 56 | 4210 | Funded Debt | | |
| 57 | 4220 | Premium on Long-Term Debt | | |
| 58 | 4230 | Discount on Long-Term Debt | | |
| 59 | 4240 | Reacquired Debt | | |
| 60 | 4250 | Obligations Under Capital leases | | |
| 61 | 4260 | Advances From Affiliated Companies | | |
| 62 | 4270 | Other Long-Term Debt | | |
| 63 | | **Total Long-Term Debt** | | |
| 64 | | **OTHER LIABILITIES AND DEFERRED CREDITS:** | | |
| 65 | 4310 | Other Long-Term Liabilities | | |
| 66 | 4320 | Unamort. Oper. Invest. Tax Credits - Net | | |
| 67 | 4330 | Unamort. Nonoper. Invest. Tax Credits - Net | | |
| 68 | 4340 | Net Noncurrent Deferred Oper. Income Taxes | | |
| 69 | 4350 | Net Noncurrent Deferred Nonoper. Income Taxes | | |
| 70 | 4360 | Other Deferred Credits | | |
| 71 | 4370 | Other Jurisdictional Liab. and Def. Credits | | |
| 72 | | **Total Other Liabilities and Deferred Credits** | | |
| 73 | | **STOCKHOLDERS' EQUITY:** | | |
| 74 | 4510 | Capital Stock | | |
| 75 | 4520 | Additional Paid-In Capital | | |
| 76 | 4530 | Treasury Stock | | |
| 77 | 4540 | Other Capital | | |
| 78 | 4550 | Retained Earnings | | |
| 79 | | **Total Stockholders' Equity** | | |
| 80 | | **TOTAL LIAB. AND STOCKHOLDERS' EQUITY** | | |

# Total Company Income Statement

Year: 2001

| Line No. | | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|---|---|---|---|---|---|
| 1 | | | **REVENUES:** | | |
| 2 | | 5000 | Basic Local Service Revenues | | |
| 3 | | 5080 | Network Access Revenues | (See Attached Audited Financials) | |
| 4 | * | 5100 | Long Distance Message Revenue | | |
| 5 | ^ | 5110 | Unidirectional Long Distance Revenue | | |
| 6 | ^ | 5120 | Long Distance Private Network Revenue | | |
| 7 | ^ | 5160 | Other Long Distance Revenue | | |
| 8 | ^ | 5169 | Other Long Distance Revenue Settlements | | |
| 9 | * | 5200 | Miscellaneous Revenue | | |
| 10 | ^ | 5230 | Directory Revenue | | |
| 11 | ^ | 5240 | Rent Revenue | | |
| 12 | ^ | 5250 | Corporate Operations Revenue | | |
| 13 | ^ | 5260 | Miscellaneous Revenue | | |
| 14 | ^ | 5270 | Carrier Billing and Collection Revenue | | |
| 15 | ^ | 5280 | Nonregulated Revenue | | |
| 16 | | 5300 | Uncollectible Revenue | | |
| 17 | | | **Total Revenues (L.2+L.3+L.4+L.9-L.16)** | #VALUE! | |
| 18 | | | **OPERATING EXPENSES:** | | |
| 19 | | 6110 | Network Support Expense | | |
| 20 | | 6120 | General Support Expense | | |
| 21 | | 6210 | Central Office Switching Expense | | |
| 22 | | 6220 | Operator Systems Expense | | |
| 23 | | 6230 | Central Office Transmission Expense | | |
| 24 | | 6310 | Information Origination/Termination Expense | | |
| 25 | * | 6410 | Cable and Wire Facilities Expense | | |
| 26 | ^ | 6431 | Aerial Wire Expense | | |
| 27 | ^ | 6441 | Conduit Systems Expense | | |
| 28 | | 6510 | Other Property, Plant & Equipment Expense | | |
| 29 | | 6530 | Network Operations Expense | | |
| 30 | | 6540 | Access Expense | | |
| 31 | | 6560 | Depreciation and Amortization Expense | | |
| 32 | | 6610 | Marketing | | |
| 33 | | 6620 | Services | | |
| 34 | | 6710 | Executive and Planning | | |
| 35 | | 6720 | General and Administrative | | |
| 36 | | 6790 | Provision for Uncollectible Notes Receivable | | |
| 37 | | | **Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)** | | |
| 38 | | 7100 | Other Operating Income and Expense | | |
| 39 | | 7200 | Operating Taxes | | |
| 40 | | | **Net Operating Income (L.17-L.37+L.38-L.39)** | #VALUE! | |
| 41 | | 7300 | Nonoperating Income and Expense | | |
| 42 | | 7400 | Nonoperating Taxes | | |
| 43 | | 7500 | Interest and Related Items | | |
| 44 | | 7600 | Extraordinary Items | | |
| 45 | | 7910 | Effects of Juris. Ratemaking Diff. - Net | | |
| 46 | | 7990 | Nonregulated Net Income | | |
| 47 | | | **NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)** | #VALUE! | |

^ Subaccount of the account marked with a *.

Schedule 4.1

# INDEPENDENT AUDITOR'S REPORT
# and
# FINANCIAL STATEMENTS

## DECEMBER 31, 2001 AND 2000

Schedule 4.2

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Schedule 4.3

# MOSS-ADAMS LLP

CERTIFIED PUBLIC ACCOUNTANTS

Seafirst Financial Center
601 West Riverside, Suite 1800
Spokane, WA 99201-0663

Phone 509.747.2600
Toll Free 1.800.888.4065
FAX 509.624.5129

Offices in Principal Cities of
Washington, Oregon and California

## INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southern Montana Telephone Company
Wisdom, Montana

We have audited the accompanying balance sheets of Southern Montana Telephone Company as of December 31, 2001 and 2000, and the related statements of income, stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Montana Telephone Company, as of December 31, 2001 and 2000, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2002, on our consideration of Southern Montana Telephone Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 considering the results of our audit.

Moss Adams LLP

Spokane, Washington
January 25, 2002

A member of
Moores Rowland INTERNATIONAL

An association of independent
accounting firms throughout the world.

Schedule 4.4

# SOUTHERN MONTANA TELEPHONE COMPANY
## BALANCE SHEET

### ASSETS

| | December 31, 2001 | December 31, 2000 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 476,313 | $ 478,649 |
| Investment in certificates of deposit at amortized cost | 602,415 | 570,837 |
| Subscriber receivables | 65,486 | 63,676 |
| Income tax receivable | 16,329 | - |
| Other accounts receivable | 222,334 | 166,689 |
| Material and supplies | 35,853 | 41,337 |
| Other current assets | 14,263 | 64,136 |
| Total current assets | 1,432,993 | 1,385,324 |
| **NONCURRENT ASSETS** | | |
| Investment in available for sale securities | 395,885 | 623,374 |
| Investment in certificates of deposit, long-term at amortized cost | 634,719 | 449,514 |
| Investment in held to maturity securities | 100,000 | 100,000 |
| Investment in affiliate | 1,276 | 1,276 |
| Investment in nonaffiliates | 485,558 | 465,831 |
| Nonregulated investments | 87,118 | 61,206 |
| Other noncurrent assets | 17,286 | 22,670 |
| | 1,721,842 | 1,723,871 |
| **PROPERTY, PLANT, AND EQUIPMENT** | | |
| Telecommunications plant in service | 7,588,436 | 7,436,726 |
| Telecommunications plant under construction | 5,434 | 61,247 |
| | 7,593,870 | 7,497,973 |
| Less accumulated depreciation and amortization | 3,542,368 | 3,178,752 |
| | 4,051,502 | 4,319,221 |
| | $ 7,206,337 | $ 7,428,416 |

Schedule 4.5



## LIABILITIES AND STOCKHOLDER'S EQUITY

| | December 31, 2001 | December 31, 2000 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Accounts payable | $ 122,236 | $ 117,046 |
| Advance billing and customer deposits | 9,410 | 10,323 |
| Current maturities of long-term debt | 305,944 | 290,688 |
| Other accrued taxes | 38,197 | 38,146 |
| Other accrued liabilities | 114,422 | 110,201 |
| Accrued interest payable | 9,001 | 9,010 |
| Income taxes payable | - | 3,922 |
| Total current liabilities | 599,210 | 579,336 |
| LONG-TERM DEBT | 2,784,289 | 3,105,112 |
| OTHER LIABILITIES AND DEFERRED CREDITS | | |
| Deferred investment tax credits | 57,569 | 66,322 |
| Deferred income taxes | 854,286 | 917,952 |
| | 911,855 | 984,274 |
| STOCKHOLDER'S EQUITY | | |
| Common stock, $10 par value; authorized 5,000 shares 2,907 shares issued | 29,070 | 29,070 |
| Paid-in capital | 3,290 | 3,290 |
| Retained earnings | 5,574,398 | 5,366,424 |
| | 5,606,758 | 5,398,784 |
| Less treasury stock, 2,297 shares at cost | (2,581,408) | (2,581,408) |
| Unrealized gain (loss) on available for sale securities | (114,367) | (57,682) |
| | 2,910,983 | 2,759,694 |
| | $ 7,206,337 | $ 7,428,416 |

*See accompanying notes.*

Schedule 4.6

# SOUTHERN MONTANA TELEPHONE COMPANY
## STATEMENT OF INCOME

| | Year Ended December 31, 2001 | Year Ended December 31, 2000 |
|---|---|---|
| OPERATING REVENUES | | |
| Local network services | $ 176,396 | $ 162,808 |
| Interstate access revenue | 1,336,246 | 1,228,320 |
| Intrastate access revenue | 386,756 | 414,566 |
| Carrier billing and collection | 30,057 | 35,714 |
| Miscellaneous | 2,015 | 1,698 |
| Nonregulated services | 30,747 | 1,874 |
| Uncollectible | (2,113) | (350) |
| | 1,960,104 | 1,844,630 |
| OPERATING EXPENSES | | |
| Plant specific operations | 323,948 | 274,539 |
| Plant nonspecific operations | 289,318 | 237,084 |
| Depreciation and amortization | 447,632 | 362,223 |
| Customer operations | 92,727 | 83,699 |
| Corporate operations | 300,018 | 356,121 |
| Other operating taxes | 53,265 | 50,220 |
| Nonregulated | 10,577 | 6,648 |
| | 1,517,485 | 1,370,534 |
| Operating income | 442,619 | 474,096 |
| Nonoperating income (expense) | | |
| Interest and dividend income | 109,099 | 142,335 |
| Gain (loss) on sale of investments | (10,957) | 8,661 |
| Interest expense | (121,187) | (105,330) |
| Other nonoperating expense | (94,231) | (8,298) |
| | (117,276) | 37,368 |
| Income before taxes | 325,343 | 511,464 |
| Income taxes | 117,369 | 185,805 |
| NET INCOME | $ 207,974 | $ 325,659 |



*See accompanying notes.*

Schedule 4.7

# SOUTHERN MONTANA TELEPHONE COMPANY
## STATEMENT OF STOCKHOLDER'S EQUITY

| | Total | Stockholder's Equity | Accumulated Comprehensive Income (Loss) | Comprehensive Income (Loss) |
|---|---|---|---|---|
| Balance, December 31, 1999 | $ 4,197,454 | $ 4,156,717 | $ 40,737 | |
| Net income | 325,659 | 325,659 | - | $ 325,659 |
| Unrealized loss on available for sale securities, net of tax | (98,419) | - | (98,419) | (98,419) |
| Purchase of 457 shares of stock for the treasury at cost | (1,665,000) | (1,665,000) | - | - |
| Comprehensive income | | | | $ 227,240 |
| Balance, December 31, 2000 | 2,759,694 | 2,817,376 | (57,682) | |
| Net income | **207,974** | **207,974** | - | **$ 207,974** |
| Unrealized loss on available for sale securities, net of tax | **(56,685)** | - | **(56,685)** | **(56,685)** |
| Reclassification adjustment, net of tax | - | - | | **(2,504)** |
| Comprehensive income | | | | **$ 148,785** |
| Balance, December 31, 2001 | **$ 2,910,983** | **$ 3,025,350** | **$ (114,367)** | |

*See accompanying notes.*

Schedule 4.8

# SOUTHERN MONTANA TELEPHONE COMPANY
## STATEMENT OF CASH FLOWS

| | Year Ended December 31, | |
|---|---|---|
| | 2001 | 2000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 207,974 | $ 325,659 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 452,604 | 365,301 |
| Noncash patronage dividends | (2,707) | (2,455) |
| Amortization of discount on certificates of deposit | (48,405) | (47,985) |
| Amortization of deferred investment tax credit | (8,753) | (9,227) |
| Decrease in cash surrender value of life insurance | 5,384 | 1,729 |
| Net realized loss on securities available for sale | 60,611 | 42,982 |
| Loss on disposal of nonregulated assets | (258) | - |
| Change in assets and liabilities: | | |
| Accounts receivable | (57,455) | 102,363 |
| Federal income tax (receivable) payable | (20,251) | (53,768) |
| Supplies | 5,484 | 357 |
| Other assets | 49,873 | (14,623) |
| Accounts payable and accrued expenses | 9,453 | (79,975) |
| Advance payments and customer deposits | (913) | 1,934 |
| Deferred income taxes | (63,666) | (33,418) |
| Net cash provided by operating activities | 588,975 | 598,874 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to telephone plant | (180,112) | (127,193) |
| Additions (deductions) to nonregulated plant | (42,126) | 7,177 |
| Proceeds from disposals of plant | 11,700 | 16,500 |
| Proceeds from sales of investments | 930,105 | 1,447,307 |
| Purchase of investments | (1,005,312) | (1,131,470) |
| Net cash provided (used) by investing activities | (285,745) | 212,321 |

Schedule 4.9

# SOUTHERN MONTANA TELEPHONE COMPANY
## STATEMENT OF CASH FLOWS

| | Year Ended December 31, | |
|---|---|---|
| | **2001** | 2000 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds of long-term debt | $ - | $ 665,000 |
| Principal payments of long-term debt | **(305,566)** | (264,556) |
| Repurchase of stock for the treasury | - | (1,665,000) |
| Net cash used by financing activities | **(305,566)** | (1,264,556) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | **(2,336)** | (453,361) |
| Cash and cash equivalents at beginning of year | **478,649** | 932,010 |
| Cash and cash equivalents at end of year | **$ 476,313** | $ 478,649 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION | | |
| Cash paid during the year for: | | |
| Interest | **$ 120,873** | $ 104,135 |
| Income taxes | **$ 160,943** | $ 232,167 |

*See accompanying notes.*

Schedule 4.10



## Note 1 - Significant Accounting Policies

*Nature of operations:*
Southern Montana Telephone Company (the Company) is a local exchange carrier (LEC) providing local telephone service, internet access, and access to long-distance telecommunications services. The Company serves commercial and residential customers in the southwestern Montana exchanges of Divide, Grant, Jackson, Wisdom, and Wise River. The Company is subject to the rules and regulations of the Federal Communications Commission (FCC) and the Montana Public Service Commission.

*Accounting policies:*
The financial statements of Southern Montana Telephone Company have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to regulated public utilities. Such accounting principles are consistent in all material respects with accounting prescribed by the FCC.

*Cash equivalents:*
Cash and cash equivalents are defined as short-term, highly liquid investments that were purchased with an original maturity of three months or less and are readily convertible into cash. Cash equivalents are stated at cost and primarily consist of money market funds.

*Nonregulated services:*
The Company accounts for its nonregulated activities as follows:

Nonregulated activities involving the joint use of regulated assets are accounted for within the prescribed regulated system of accounts for telephone company operations. These activities include internet and directory services and other income items incidental to the provision of regulated telephone services.

Nonregulated activities not involving the joint use of regulated assets are accounted for separately from regulated activities. Plant facilities and other property and equipment are recorded as nonregulated investments. Operating revenues and the related expenses are separately presented as nonregulated revenues and expenses. These activities include payphone services.

*Supplies:*
Supplies are stated at the lower of average cost or replacement market.

*Local service revenue:*
Billings for local service revenue are rendered monthly in advance. Advance billings are recorded as a liability and subsequently transferred to income in the period earned.

Schedule 4.11



## Note 1 - Significant Accounting Policies (Continued)

***Property, plant, and equipment:***
Property, plant, and equipment are stated at cost. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

Property, plant, and equipment are depreciated using straight-line methods in accordance with rates as approved by the Montana Public Service Commission, generally ranging from 3 to 29 years. In accordance with composite group depreciation methodology, when a portion of the Company's depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation.

***Investment securities:***
The Company's policy for investment securities is as follows:

* Trading securities: Trading securities consist of debt and equity securities that are bought and held principally for the purpose of selling in the near term and are reported at fair value, with unrealized gains and losses included in earnings. The Company did not hold any trading securities during 2001 or 2000.

* Securities held to maturity: Debt securities for which the Company has the positive intent and ability to hold to maturity are classified as held to maturity. Held to maturity securities are stated at amortized cost.

* Securities available for sale: Securities not classified as held to maturity or trading are classified as available for sale. Available for sale securities are stated at fair value, with any unrealized gains and losses, net of deferred taxes, reported as a separate component of stockholder's equity.

***Valuation of accounts receivable:***
An estimate of collectibility of accounts receivable is made annually. Specific accounts are charged to bad debt expense when it is determined that the account will not be collected. The result of this method does not materially differ from accounting principles generally accepted in the United States of America.

***Allowance for funds used during construction (AFUDC):***
The Company records as income and capitalizes as a cost of construction the cost of financing large construction projects spanning a period greater than two months. The Company uses a weighted-average interest rate based on total Company long-term debt. No such costs were capitalized in 2001 or 2000.

Schedule 4.12



## Note 1 - Significant Accounting Policies (Continued)

*Income taxes:*
Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets relate primarily to employee benefit accruals and the unrealized loss on available for sale securities. Deferred tax liabilities relate primarily to the use of accelerated depreciation methods for tax purposes. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Investment tax credits, which were deferred prior to the TRA '86, are being amortized over the regulatory or service life of the assets which produced the credits.

*Concentration of credit risk:*
At various times throughout the year, cash balances exceed federally insured limits in individual financial institutions. 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.

*Accounting 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense and interstate access revenue settlements.

## Note 2 - Property, Plant, and Equipment

Property, plant, and equipment balances together with accumulated depreciation and amortization consist of the following at December 31, 2001 and 2000:

| | Plant Account | Accumulated Depreciation | 2001 Net Balance | 2000 Net Balance |
|---|---|---|---|---|
| Plant in service | $ 7,588,436 | $ 3,542,368 | $ 4,046,068 | $ 4,257,974 |
| Plant under construction | 5,434 | - | 5,434 | 61,247 |
| TOTAL | $ 7,593,870 | $ 3,542,368 | $ 4,051,502 | $ 4,319,221 |

Schedule 4.13



## Note 2 - Property, Plant, and Equipment (Continued)

Telecommunications plant in-service balances together with accumulated depreciation consists of the following at December 31, 2001 and 2000:

| | Plant Account | Accumulated Depreciation | 2001 Net Balance | 2000 Net Balance |
|---|---|---|---|---|
| General support assets: | | | | |
| Land | $ 38,451 | $ - | $ 38,451 | $ 38,451 |
| Motor vehicles | 243,005 | 243,005 | - | (15,000) |
| Other work equipment | 449,023 | 377,488 | 71,535 | (436) |
| Buildings | 597,192 | 263,214 | 333,978 | 354,599 |
| Furniture and office equipment | 4,365 | 4,365 | - | - |
| Furniture and office equipment ( five-year assets) | 15,139 | 14,222 | 917 | 1,831 |
| General purpose computer | 47,025 | 1,046 | 45,979 | 54,252 |
| Official stations | 18,527 | 10,694 | 7,833 | 9,429 |
| Central office assets: | | | | |
| Digital switching | 1,175,588 | 325,175 | 850,413 | 914,903 |
| Transmission equipment | 721,373 | 217,631 | 503,742 | 539,321 |
| Cable facilities: | | | | |
| Buried cable | 2,786,792 | 1,744,740 | 1,042,052 | 1,140,826 |
| Fiber optic cable | 1,491,956 | 340,788 | 1,151,168 | 1,219,798 |
| | $ 7,588,436 | $ 3,542,368 | $ 4,046,068 | $ 4,257,974 |

## Note 3 - Certificates of Deposit

The amortized cost, unrealized losses, and estimated fair value of certificates of deposit as of December 31 are summarized as follows:

| | 2001 | 2000 |
|---|---|---|
| Amortized cost | $. 1,237,134 | $ 1,020,351 |
| Gross unrealized gain (loss) | 811 | (1,137) |
| ESTIMATED FAIR VALUE | $ 1,237,945 | $ 1,019,214 |

Schedule 4.14



**Note 3 - Certificates of Deposit (Continued)**

Maturities of certificates of deposit by contractual maturity as of December 31, 2001, are as follows:

| | Amortized Cost | Estimated Fair Value |
|---|---|---|
| Maturing in one to five years | $1,237,134 | $1,237,945 |

**Note 4 - Investment in Debt and Marketable Equity Securities**

The following is a summary of the Company's investment in available for sale securities:

| | **December 31, 2001** | | |
|---|---|---|---|
| **Available for Sale** | Cost | Gross Unrealized Gain (Loss) | Estimated Fair Value |
| Equity securities | **$ 551,394** | **$ (182,069)** | **$ 369,325** |
| Mutual funds | **37,515** | **(10,955)** | **26,560** |
| | **$ 588,909** | **$ (193,024)** | **$ 395,885** |
| | December 31, 2000 | | |
| Equity securities | $ 604,221 | $ (87,355) | $ 516,866 |
| Mutual funds | 106,096 | 412 | 106,508 |
| | $ 710,317 | $ (86,943) | $ 623,374 |

The following is a summary of the Company's investment in securities held to maturity:

| | **December 31, 2001** | | |
|---|---|---|---|
| **Held to Maturity** | Cost | Gross Unrealized Losses | Estimated Fair Value |
| Other interest-bearing securities | **$ 100,000** | **$ -** | **$ 100,000** |
| | December 31, 2000 | | |
| Other interest-bearing securities | $ 100,000 | $ - | $ 100,000 |

Schedule 4.15



**Note 4 - Investment in Debt and Marketable Equity Securities (Continued)**

Maturities of securities held to maturity by contractual maturity as of December 31, 2001, are as follows:

| | Amortized Cost | Estimated Fair Value |
|---|---|---|
| Maturing in one to five years | $100,000 | $100,000 |

An unrealized loss on investment securities during the years ended December 31, 2001 and 2000, was reported as a separate component of stockholder's equity and consisted of the following:

| | 2001 | 2000 |
|---|---|---|
| Unrealized holding losses | $ 193,024 | $ 87,243 |
| Deferred tax effect related to unrealized holding losses | (78,657) | (29,561) |
| | $ 114,367 | $ 57,682 |

A summary of investment earnings recognized in income during the years ended December 31 is as follows:

| | 2001 | 2000 |
|---|---|---|
| Available for sale securities: | | |
| Realized gains (losses) | $ (10,957) | $ 8,661 |
| Amortization of discount | 66,631 | 47,985 |
| Interest earned | 19,856 | 69,686 |
| Dividends received | 22,611 | 24,664 |
| | $ 98,141 | $ 150,996 |

**Note 5 - Investments in Nonaffiliates**

Investments in nonaffiliates consist of the following assets at December 31:

| | 2001 | 2000 |
|---|---|---|
| Montana Advanced Information Network | $ 440,100 | $ 415,100 |
| Other nonmarketable telephone stocks and investments | 45,458 | 50,731 |
| | $ 485,558 | $ 465,831 |

Schedule 4.1b



## Note 6 - Long-Term Debt

Long-term debt is as follows at December 31:

| | Interest Rate | Maturity Dates | 2001 | 2000 |
|---|---|---|---|---|
| Rural Utilities Service (RUS) | 2.00% - fixed | 2016 | **$ 2,168,863** | $ 2,297,834 |
| Rural Telephone Finance Cooperative (RTFC) | 5.50% - variable | 2004 | **322,218** | 450,778 |
| Notes payable, former stockholder | 7.50% - fixed | 2010 | **599,152** | 647,188 |
| | | | **3,090,233** | 3,395,800 |
| Less current portion | | | **305,944** | 290,688 |
| | | | **$ 2,784,289** | $ 3,105,112 |

Substantially all assets of the Company are pledged to secure the RUS notes.

The terms of the mortgage agreements contain restrictions on the declaration or payment of cash dividends, redemption of capital stock, or investment in affiliated companies.

Aggregate maturities or payments required on principal under long-term debt obligations for each of the succeeding five years are as follows:

| | |
|---|---|
| 2002 | $ 305,944 |
| 2003 | 319,591 |
| 2004 | 263,851 |
| 2005 | 203,442 |
| 2006 | 211,286 |
| Later years | 1,786,119 |
| | $ 3,090,233 |

## Note 7 - Retirement Plans

The Company participates in two multi-employer pension plans with the National Telephone Cooperative Association that cover substantially all of its employees.

The "retirement and security program" is a defined benefit plan. The Company's regular contribution to the retirement and security program and the amount charged to pension expense for the years ended December 31, 2001 and 2000, was $62,907 and $53,526, respectively.

The "savings plan" is a noncontributory defined contribution plan. The Company's contributions were $27,436 and $19,725 for the years ended December 31, 2001 and 2000, respectively.

Schedule 4.17



**Note 8 - Income Taxes**

Components of provision (benefit) for income tax expense:

| | 2001 | 2000 |
|---|---|---|
| Current: | | |
| Federal | $ 121,403 | $ 139,601 |
| State | 25,768 | 29,821 |
| Deferred: | | |
| Federal | (20,910) | 5,194 |
| State | (2,413) | 2,863 |
| Prior year under (over) accrual | (6,479) | 8,326 |
| | $ 117,369 | $ 185,805 |

***Classification of expense:***

| | 2001 | 2000 |
|---|---|---|
| Operating | $ 126,714 | $ 155,003 |
| Nonoperating | (15,704) | 32,720 |
| Nonregulated benefit | 6,359 | (1,918) |
| | $ 117,369 | $ 185,805 |

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before taxes due to the effects of state taxes (net of federal benefit), nondeductible items, and prior year over or under accruals.

Schedule 4.18



**Note 8 - Income Taxes (Continued)**

The components of the net deferred tax asset (liability) recorded in the accompanying balance sheet at December 31, 2001 and 2000, are:

| | 2001 | 2000 |
|---|---|---|
| Deferred tax assets: | | |
| Accrued employee benefits | $ 34,197 | $ 34,914 |
| Aid to construction | 3,255 | 10,832 |
| Unrealized loss on available for sale securities | 78,657 | 29,561 |
| | 116,109 | 75,307 |
| Deferred tax liabilities: | | |
| Prepaid insurance | (1,365) | (1,311) |
| Tax depreciation greater than book | (960,605) | (983,947) |
| Other | (8,425) | (8,001) |
| | (970,395) | (993,259) |
| Deferred investment tax credit | (57,569) | (66,322) |
| NET DEFERRED TAX LIABILITY | $ (911,855) | $ (984,274) |

Deferred investment tax credits are amortized over the regulatory life of the property which produced the deferred taxes.

For the year ended December 31, 2001, there were income taxes receivable of $16,329. For the year ended December 31, 2000, there were income taxes payable of $3,922.

**Note 9 - Access Revenues**

The Company's access revenues are determined by industry-regulated procedures for originating and terminating long-distance calls.

***Intrastate:***
Revenues for intrastate access are based on the Company's tariffed rates. Rates are regulated by the Montana State Public Commission and billed to interexchange carriers.

Schedule 4.19



**Note 9 - Access Revenues (Continued)**

***Interstate:***
Revenues for interstate toll services are based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA) which is regulated by the FCC. Revenues are determined by annually prepared separations and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations and network traffic measurements. Additionally, the studies are subject to a 24-month pool adjustment period and a final review and acceptance by pool administrators. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2001 and 2000.

**Note 10 - Workers' Compensation**

The Company is a member of the Montana Electric and Telephone Systems Self-Insured Workers' Compensation Pool (the Pool). The Pool covers potential liability for workers' compensation and occupational disease to employees and dependents of deceased employees of all members in the Pool. The Company is jointly and severally liable with the other members for the full amount of all known and unknown claims.

**Note 11 - Related Party Transactions**

The Company leases its office building from Robert G. Helming, sole stockholder, officer, and director of the Company. The lease calls for monthly payments of $2,200 through December 31, 2006. Following is a summary of minimum rental payments under the current lease for the year subsequent to December 31, 2001:

| | |
|---|---|
| 2002 | $ 26,400 |
| 2003 | 26,400 |
| 2004 | 26,400 |
| 2005 | 26,400 |
| 2006 | 26,400 |
| | $ 132,000 |

**Note 12 - Stock Redemption**

On September 15, 2000, the Company redeemed to treasury 457 of the 1,067 outstanding shares of common stock from one of the Company's former stockholders. The total redemption price was $1,665,000 of which $1,000,000 was paid in cash and the remaining balance of $665,000 will be paid in monthly installments over ten years with interest at 7.5% per year.

# Montana Total State Income Statement

Year: 2001

| Line No. | | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|---|---|---|---|---|---|
| 1 | | | **REVENUES:** | | |
| 2 | | 5000 | Basic Local Service Revenues | (Not Applicable-Doing Business | |
| 3 | | 5080 | Network Access Revenues | In Montana Only) | |
| 4 | * | 5100 | Long Distance Message Revenue | | |
| 5 | ^ | 5110 | Unidirectional Long Distance Revenue | | |
| 6 | ^ | 5120 | Long Distance Private Network Revenue | | |
| 7 | ^ | 5160 | Other Long Distance Revenue | | |
| 8 | ^ | 5169 | Other Long Distance Revenue Settlements | | |
| 9 | * | 5200 | Miscellaneous Revenue | | |
| 10 | ^ | 5230 | Directory Revenue | | |
| 11 | ^ | 5240 | Rent Revenue | | |
| 12 | ^ | 5250 | Corporate Operations Revenue | | |
| 13 | ^ | 5260 | Miscellaneous Revenue | | |
| 14 | ^ | 5270 | Carrier Billing and Collection Revenue | | |
| 15 | ^ | 5280 | Nonregulated Revenue | | |
| 16 | | 5300 | Uncollectible Revenue | | |
| 17 | | | **Total Revenues (L.2+L.3+L.4+L.9-L.16)** | #VALUE! | |
| 18 | | | **OPERATING EXPENSES:** | | |
| 19 | | 6110 | Network Support Expense | | |
| 20 | | 6120 | General Support Expense | | |
| 21 | | 6210 | Central Office Switching Expense | | |
| 22 | | 6220 | Operator Systems Expense | | |
| 23 | | 6230 | Central Office Transmission Expense | | |
| 24 | | 6310 | Information Origination/Termination Expense | | |
| 25 | * | 6410 | Cable and Wire Facilities Expense | | |
| 26 | ^ | 6431 | Aerial Wire Expense | | |
| 27 | ^ | 6441 | Conduit Systems Expense | | |
| 28 | | 6510 | Other Property, Plant & Equipment Expense | | |
| 29 | | 6530 | Network Operations Expense | | |
| 30 | | 6540 | Access Expense | | |
| 31 | | 6560 | Depreciation and Amortization Expense | | |
| 32 | | 6610 | Marketing | | |
| 33 | | 6620 | Services | | |
| 34 | | 6710 | Executive and Planning | | |
| 35 | | 6720 | General and Administrative | | |
| 36 | | 6790 | Provision for Uncollectible Notes Receivable | | |
| 37 | | | **Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)** | | |
| 38 | | 7100 | Other Operating Income and Expense | | |
| 39 | | 7200 | Operating Taxes | | |
| 40 | | | **Net Operating Income (L.17-L.37+L.38-L.39)** | #VALUE! | |

^ Subaccount of the account marked with a *.

# Montana Intrastate Income Statement

Year: 2001

| Line No. | | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|---|---|---|---|---|---|
| 1 | | | **REVENUES:** | | |
| 2 | | 5000 | Basic Local Service Revenues | (Not Applicable-Doing Business | |
| 3 | | 5080 | Network Access Revenues | In Montana Only) | |
| 4 | * | 5100 | Long Distance Message Revenue | | |
| 5 | ^ | 5110 | Unidirectional Long Distance Revenue | | |
| 6 | ^ | 5120 | Long Distance Private Network Revenue | | |
| 7 | ^ | 5160 | Other Long Distance Revenue | | |
| 8 | ^ | 5169 | Other Long Distance Revenue Settlements | | |
| 9 | * | 5200 | Miscellaneous Revenue | | |
| 10 | ^ | 5230 | Directory Revenue | | |
| 11 | ^ | 5240 | Rent Revenue | | |
| 12 | ^ | 5250 | Corporate Operations Revenue | | |
| 13 | ^ | 5260 | Miscellaneous Revenue | | |
| 14 | ^ | 5270 | Carrier Billing and Collection Revenue | | |
| 15 | ^ | 5280 | Nonregulated Revenue | | |
| 16 | | 5300 | Uncollectible Revenue | | |
| 17 | | | **Total Revenues (L.2+L.3+L.4+L.9-L.16)** | #VALUE! | |
| 18 | | | **OPERATING EXPENSES:** | | |
| 19 | | 6110 | Network Support Expense | | |
| 20 | | 6120 | General Support Expense | | |
| 21 | | 6210 | Central Office Switching Expense | | |
| 22 | | 6220 | Operator Systems Expense | | |
| 23 | | 6230 | Central Office Transmission Expense | | |
| 24 | | 6310 | Information Origination/Termination Expense | | |
| 25 | * | 6410 | Cable and Wire Facilities Expense | | |
| 26 | ^ | 6431 | Aerial Wire Expense | | |
| 27 | ^ | 6441 | Conduit Systems Expense | | |
| 28 | | 6510 | Other Property, Plant & Equipment Expense | | |
| 29 | | 6530 | Network Operations Expense | | |
| 30 | | 6540 | Access Expense | | |
| 31 | | 6560 | Depreciation and Amortization Expense | | |
| 32 | | 6610 | Marketing | | |
| 33 | | 6620 | Services | | |
| 34 | | 6710 | Executive and Planning | | |
| 35 | | 6720 | General and Administrative | | |
| 36 | | 6790 | Provision for Uncollectible Notes Receivable | | |
| 37 | | | **Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)** | | |
| 38 | | 7100 | Other Operating Income and Expense | | |
| 39 | | 7200 | Operating Taxes | | |
| 40 | | | **Net Operating Income (L.17-L.37+L.38-L.39)** | #VALUE! | |

^ Subaccount of the account marked with a *.

# Montana Intrastate Regulated Income Statement

Year: 2001

| Line No. | | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|---|---|---|---|---|---|
| 1 | | | **REVENUES:** | | |
| 2 | | 5000 | Basic Local Service Revenues | (Not Applicable-Doing Business | |
| 3 | | 5080 | Network Access Revenues | In Montana Only) | |
| 4 | * | 5100 | Long Distance Message Revenue | | |
| 5 | ^ | 5110 | Unidirectional Long Distance Revenue | | |
| 6 | ^ | 5120 | Long Distance Private Network Revenue | | |
| 7 | ^ | 5160 | Other Long Distance Revenue | | |
| 8 | ^ | 5169 | Other Long Distance Revenue Settlements | | |
| 9 | * | 5200 | Miscellaneous Revenue | | |
| 10 | ^ | 5230 | Directory Revenue | | |
| 11 | ^ | 5240 | Rent Revenue | | |
| 12 | ^ | 5250 | Corporate Operations Revenue | | |
| 13 | ^ | 5260 | Miscellaneous Revenue | | |
| 14 | ^ | 5270 | Carrier Billing and Collection Revenue | | |
| 15 | ^ | 5280 | Nonregulated Revenue | | |
| 16 | | 5300 | Uncollectible Revenue | | |
| 17 | | | **Total Revenues (L.2+L.3+L.4+L.9-L.16)** | #VALUE! | |
| 18 | | | **OPERATING EXPENSES:** | | |
| 19 | | 6110 | Network Support Expense | | |
| 20 | | 6120 | General Support Expense | | |
| 21 | | 6210 | Central Office Switching Expense | | |
| 22 | | 6220 | Operator Systems Expense | | |
| 23 | | 6230 | Central Office Transmission Expense | | |
| 24 | | 6310 | Information Origination/Termination Expense | | |
| 25 | * | 6410 | Cable and Wire Facilities Expense | | |
| 26 | ^ | 6431 | Aerial Wire Expense | | |
| 27 | ^ | 6441 | Conduit Systems Expense | | |
| 28 | | 6510 | Other Property, Plant & Equipment Expense | | |
| 29 | | 6530 | Network Operations Expense | | |
| 30 | | 6540 | Access Expense | | |
| 31 | | 6560 | Depreciation and Amortization Expense | | |
| 32 | | 6610 | Marketing | | |
| 33 | | 6620 | Services | | |
| 34 | | 6710 | Executive and Planning | | |
| 35 | | 6720 | General and Administrative | | |
| 36 | | 6790 | Provision for Uncollectible Notes Receivable | | |
| 37 | | | **Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)** | | |
| 38 | | 7100 | Other Operating Income and Expense | | |
| 39 | | 7200 | Operating Taxes | | |
| 40 | | | **Net Operating Income (L.17-L.37+L.38-L.39)** | #VALUE! | |

^ Subaccount of the account marked with a *.

## Average Rate Base - Total State

Year: 2001

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|---|---|---|---|---|
| 1 | 2001 | Telecommunications Plant in Service | 7573297 | 7421587 |
| 2 | 3100 | Accumulated Depreciation | 3528146 | 3165444 |
| 3 | 2002 | Property Held for Future Telecommunications Use | | |
| 4 | 3200 | Accumulated Depreciation - 2002 | | |
| 5 | 1220 | Materials and Supplies | 35853 | 41337 |
| 6 | 4340 | Noncurrent Deferred Operating Income Taxes | | |
| 7 | | Pre-1971 Unamortized Investment Tax Credits | | |
| 8 | | Cash Working Capital (if allowed by Commission) | | |
| 9 | | **Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)** | 4081004 | 4297480 |

## Average Rate Base - Intrastate

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|---|---|---|---|---|
| 1 | 2001 | Telecommunications Plant in Service | | |
| 2 | 3100 | Accumulated Depreciation | | |
| 3 | 2002 | Property Held for Future Telecommunications Use | | |
| 4 | 3200 | Accumulated Depreciation - 2002 | | |
| 5 | 1220 | Materials and Supplies | | |
| 6 | 4340 | Noncurrent Deferred Operating Income Taxes | | |
| 7 | | Pre-1971 Unamortized Investment Tax Credits | | |
| 8 | | Cash Working Capital (if allowed by Commission) | | |
| 9 | | **Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)** | | |

## Average Rate Base - Regulated Intrastate

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|---|---|---|---|---|
| 1 | 2001 | Telecommunications Plant in Service | | |
| 2 | 3100 | Accumulated Depreciation | | |
| 3 | 2002 | Property Held for Future Telecommunications Use | | |
| 4 | 3200 | Accumulated Depreciation - 2002 | | |
| 5 | 1220 | Materials and Supplies | | |
| 6 | 4340 | Noncurrent Deferred Operating Income Taxes | | |
| 7 | | Pre-1971 Unamortized Investment Tax Credits | | |
| 8 | | Cash Working Capital (if allowed by Commission) | | |
| 9 | | **Total Average Rate Base (L.1-L.2+L.3-L.4+L.5-L.6-L.7+L.8)** | | |

# Statement of Cash Flows

Year: 2001

| Line No. | Item Description (a) | Amount (b) | Amount (c) |
|---|---|---|---|
| 1 | **Increase/(decrease) in Cash & Cash Equivalents** | | |
| 2 | **Cash Flows from Operating Activities:** | | |
| 3 | Net Income | | |
| 4 | Reconciliation Adjustments: | (See Attacked Statement of | |
| 5 | Depreciation & Amortization | Cash Flows) | |
| 6 | Provision for Accounts Receivable Losses | | |
| 7 | Deferred Income Taxes - Net | | |
| 8 | Unamortized Investment Tax Credits (ITCs) - Net | | |
| 9 | Allowance for Funds Used During Construction (AFUDC) | | |
| 10 | Change in Operating Receivables - Net | | |
| 11 | Change in Materials, Supplies & Inventories - Net | | |
| 12 | Change in Operating Payables & Accrued Liabilities - Net | | |
| 13 | Change in Other Assets & Deferred Credits - Net | | |
| 14 | Change in Other Liabilities & Deferred Credits - Net | | |
| 15 | Other (explained on back of this page) | | |
| 16 | Total Adjustments | | |
| 17 | **Net Cash Provided by/(Used in) Operating Activities** | | |
| 18 | **Cash Inflows/Outflows From Investing Activities:** | | |
| 19 | Construction/Acquisition of Property, Plant & Equipment (net of | | |
| 20 | AFUDC & Capital Lease Related Acquisitions) | | |
| 21 | Proceeds from Disposals of Property, Plant & Equipment | | |
| 22 | Investments In & Advances to Affiliates | | |
| 23 | Proceeds from Repayment of Advances | | |
| 24 | Other Investing Activities (explained on back of this page) | | |
| 25 | **Net Cash Provided by/(Used in) Investing Activities** | | |
| 26 | **Cash Flows from Financing Activities:** | | |
| 27 | Net Incr./(Decr.) in Short-Term Debt, Original maturity < = 3 mo. | | |
| 28 | Advances from Affiliates | | |
| 29 | Repayment of Advances from Affiliates | | |
| 30 | Proceeds from Issuances of Long-Term Debt | | |
| 31 | Repayment of Long-Term Debt | | |
| 32 | Payment of Capital Lease Obligations | | |
| 33 | Proceeds from Issuing Common Stock/Parent Co. Equity Investment | | |
| 34 | Repurchase of Treasury Shares | | |
| 35 | Dividends Paid | | |
| 36 | Other Financing Activities (explained on back of this page) | | |
| 37 | **Net Cash Provided by Financing Activities** | | |
| 38 | **Effect of Exchange Rate Changes on Cash** | | |
| 39 | **Net Increase/(Decrease) in Cash & Cash Equivalents** | | |
| 40 | **Cash & Cash Equivalents at Beginning of Period** | | |
| 41 | **Cash & Cash Equivalents at End of Period** | | |

**Company Name: Southern Montana Telephone Company** **SCHEDULE 10**

## Receivables and Investments-Affiliated & Nonaffiliated Companies

ar: 2001

| Line No. | Name of Affiliate or Company (a) | Account 1160 Temporary Investments (b) | Account 1180 Telecom. Accounts Receivable (c) | Account 1181 Accts. Rec. Telecom. Allowance (d) | Account 1190 Other Accounts Receivable (e) | Account 1191 Accounts Receivable Allow. - Other (f) | Account 1200 Notes Receivable (g) | Account 1201 Notes Receivable Allowance (h) | Account 1210 Interest and Dividends Receivable (i) | Account 1401 Investments in Affil. Companies (j) | Account 1402 Investments in Nonaffil. Companies (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | ADC | | | | | | | | | | 3860 |
| 2 | Advanced Fiber | | | | | | | | | | 14545 |
| 3 | Airspan | | | | | | | | | | 15124 |
| 4 | Am. Superconductor | | | | | | | | | | 9517 |
| 5 | America Online | | | | | | | | | | 9309 |
| 6 | Antec | | | | | | | | | | 6807 |
| 7 | Apache | | | | | | | | | | 27369 |
| 8 | Citigroup | | | | | | | | | | 132206 |
| 9 | Corning | | | | | | | | | | 10450 |
| 10 | Dana | | | | | | | | | | 9162 |
| 11 | Emagin | | | | | | | | | | 14592 |
| 12 | General Electric | | | | | | | | | | 10651 |
| 13 | Household Intl | | | | | | | | | | 19688 |
| 14 | I2 Technologies | | | | | | | | | | 9895 |
| 15 | Ishares (Basic Materials) | | | | | | | | | | 10469 |
| 16 | Ishares (Financials) | | | | | | | | | | 9836 |
| 17 | Idacorp | | | | | | | | | | 12242 |
| 18 | Intel | | | | | | | | | | 17565 |
| 19 | Internap | | | | | | | | | | 5092 |
| 20 | Intuit | | | | | | | | | | 11272 |
| 21 | Iomega | | | | | | | | | | 5013 |
| 22 | Kids Ent. | | | | | | | | | | 5778 |
| 23 | Lucent | | | | | | | | | | 39959 |
| 24 | Microsoft | | | | | | | | | | 6565 |
| 25 | Montana Power | | | | | | | | | | 7890 |
| 26 | Motorola | | | | | | | | | | 4633 |
| 27 | Nortel | | | | | | | | | | 7106 |
| 28 | Oracle | | | | | | | | | | 11552 |
| 29 | Pacific Century LTD | | | | | | | | | | 5860 |
| 30 | **Totals** | | | | | | | | | | 454007 |

**Company Name: Southern Montana Telephone Company** **SCHEDULE 10**

## Receivables and Investments-Affiliated & Nonaffiliated Companies

ar: 2001

| Line No. | Name of Affiliate or Company (a) | Account 1160 Temporary Investments (b) | Account 1180 Telecom. Accounts Receivable (c) | Account 1181 Accts. Rec. Telecom. Allowance (d) | Account 1190 Other Accounts Receivable (e) | Account 1191 Accounts Receivable Allow. - Other (f) | Account 1200 Notes Receivable (g) | Account 1201 Notes Receivable Allowance (h) | Account 1210 Interest and Dividends Receivable (i) | Account 1401 Investments in Affil. Companies (j) | Account 1402 Investments in Nonaffil. Companies (k) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | QQQ calls | | | | | | | | | | 4594 |
| 2 | RTFC | | | | | | | | | | 30000 |
| 3 | Solectron | | | | | | | | | | 35737 |
| 4 | Teledyne | | | | | | | | | | 11540 |
| 5 | Texas Instruments | | | | | | | | | | 17819 |
| 6 | USA Biomass | | | | | | | | | | 8489 |
| 7 | Ubrandit | | | | | | | | | | 3015 |
| 8 | Walmart | | | | | | | | | | 4771 |
| 9 | | | | | | | | | | | |
| 10 | | | | | | | | | | | |
| 11 | | | | | | | | | | | |
| 12 | | | | | | | | | | | |
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| 25 | | | | | | | | | | | |
| 26 | | | | | | | | | | | |
| 27 | | | | | | | | | | | |
| 28 | | | | | | | | | | | |
| 29 | | | | | | | | | | | |
| 30 | **Totals** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 115965 |

**Company Name: Southern Montana Telephone Company** **SCHEDULE 11**

## Net Plant in Service - Detail

**Year:2001**

| Line No. | Account (a) | | Description (b) | Beginning of Year Balance (c) | Additions (d) | Retirements (e) | Sales & Transfers (f) | End of Year Account 2001 Balance (g) | Year End Accumulated Depreciation (h) | End of Year Net Plant Balance (i) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | * | 2110 | Land and Support Assets | 1274977 | 164403 | 45179 | | 1394201 | 903341 | 490860 |
| 2 | ^ | 2111 | Land | 38451 | | | | 38451 | | 38451 |
| 3 | ^ | 2112 | Motor Vehicles | 236794 | 39918 | 33707 | | 243005 | 243005 | |
| 4 | ^ | 2113 | Aircraft | | | | | | | |
| 5 | ^ | 2114 | Special Purpose Vehicles | | | | | | | |
| 6 | ^ | 2115 | Garage Work Equipment | | | | | | | |
| 7 | ^ | 2116 | Other Work Equipment | 327024 | 122000 | | | 449024 | 377489 | 71535 |
| 8 | ^ | 2121 | Buildings | 594707 | 2485 | | | 597192 | 263214 | 333978 |
| 9 | ^ | 2122 | Furniture | | | | | | | |
| 10 | ^ | 2123 | Office Equipment | 23504 | | 4000 | | 19504 | 18587 | 917 |
| 11 | ^ | 2124 | General Purpose Computers | 54497 | | 7472 | | 47025 | 1046 | 45979 |
| 12 | | 2211 | Analog Electronic Switching | | | | | | | |
| 13 | | 2212 | Digital Electronic Switching | 1192121 | 38110 | 54644 | | 1175587 | 325175 | 850412 |
| 14 | | 2215 | Electro-Mechanical Switching | | | | | | | |
| 15 | | 2220 | Operator Systems | | | | | | | |
| 16 | | 2231 | Radio Systems | | | | | | | |
| 17 | | 2232 | Circuit Equipment | 700487 | 25278 | 4392 | | 721373 | 217631 | 503742 |
| 18 | * | 2310 | Information Orig & Term Equip | 18527 | | | | 18527 | 10694 | 7833 |
| 19 | ^ | 2311 | Station Apparatus | 18527 | | | | 18527 | 10694 | 7833 |
| 20 | ^ | 2321 | Customer Premises Wiring | | | | | | | |
| 21 | ^ | 2341 | Large Private Branch Exchanges | | | | | | | |
| 22 | ^ | 2351 | Public Telephone Term. Equip. | | | | | | | |
| 23 | ^ | 2362 | Other Terminal Equipment | | | | | | | |
| 24 | | 2411 | Poles | | | | | | | |
| 25 | * | 2420 | Cable and Wire Facilities | 4250614 | 28134 | | | 4278748 | 2085528 | 2193220 |
| 26 | ^ | 2421 | Aerial Cable | 33375 | | | | 33375 | 11175 | 22200 |
| 27 | ^ | 2422 | Underground Cable | | | | | | | |
| 28 | ^ | 2423 | Buried Cable | 4217239 | 28134 | | | 4245373 | 2074353 | 2171020 |
| 29 | ^ | 2424 | Submarine Cable | | | | | | | |
| 30 | ^ | 2425 | Deep Sea Cable | | | | | | | |
| 31 | ^ | 2426 | Intrabuilding Network Cable | | | | | | | |
| 32 | | 2431 | Aerial Wire | | | | | | | |
| 33 | | 2441 | Conduit Systems | | | | | | | |
| 34 | | | **Totals** | 7436726 | 255925 | 104215 | | 7588436 | 3542369 | 4046067 |

^ Subaccount of the account marked with a *.

**Company Name: Southern Montana Telephone Company** **SCHEDULE 12**

## Analysis of Plant Held for Future Use

**Year:2001**

| Line No. | Location and Description of Property (a) | Date Included in Account 2002 (b) | Book Cost of Property at Beginning of Year (c) | Additions During the Year (d) | Retirements During the Year (e) | Transfers and Adjustments Charges and (Credits) (f) | Book Cost of Property at End of Year (g) |
|---|---|---|---|---|---|---|---|
| 1 | NONE | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
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| 26 | | | | | | | |
| 27 | | | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | **Totals (Sum L.1 to L.29)** | | | | | | |

**Company Name: Southern Montana Telephone Company**

**SCHEDULE 13**

## Average Cost of Long Term Debt

**Year:2001**

| Line No. | Description (a) | Issue Date (b) | Maturity Date (c) | Principal Amount (d) | Gross Proceeds (e) | Net Proceeds (f) | Net Per $100 (g) | Outstanding Per Balance Sheet (h) | Yield to Maturity (i) | Annual Net Cost (j) | Amortization of Premium or Discount (k) | Total Cost (%) (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | U.S. of America | Aug-81 | Aug-17 | 4087000 | | | | 2168863 | | 44538 | | 2.05% |
| 2 | Rural Tel Finance Corp | May-99 | May-04 | 600000 | | | | 322218 | | 30106 | | 9.34% |
| 3 | Note Payable | Oct-01 | Sep-10 | 665000 | | | | 599152 | | 46220 | | 7.71% |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
| 6 | | | | | | | | | | | | |
| 7 | | | | | | | | | | | | |
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| 27 | | | | | | | | | | | | |
| 28 | | | | | | | | | | | | |
| 29 | | | | | | | | | | | | |
| 30 | **Total** | | | 5352000 | | | | 3090233 | | 120864 | | 3.91% |

**Company Name: Southern Montana Telephone Company** **SCHEDULE 14**

## Cost of Preferred Stock

**Year:2001**

| Line No. | Description (a) | Date of Issuance (b) | Method of Offering (c) | Call Redemption Price (d) | Par Value Of Issue (e) | Gross Proceeds Amounts (f) | Net Proceeds Amounts (g) | Net Proceeds Per $100 (h) | Cost of Money (i) | Principal Outstanding (j) | Annual Cost (k) | Embedded Cost (l) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | NONE | | | | | | | | | | | |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
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| 27 | | | | | | | | | | | | |
| 28 | | | | | | | | | | | | |
| 29 | | | | | | | | | | | | |
| 30 | **Totals (Sum L.1 to L.29)** | | | | | | | | | | | |

**Company Name: Southern Montana Telephone Company** **SCHEDULE 15**

## Analysis of Common Stock

**Year:2001**

| Line No. | (a) | Avg. Number of Shares Outstanding (b) | Book Value (per share) (c) | Earnings (per share) (d) | Dividends (per share) (e) | Retention Ratio (f) | Market Price High (g) | Market Price Low (h) | Price/ Earnings Ratio (i) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Year Ended December 31: | 610 | 4280.3 | | | | | | |
| 2 | | | | | | | | | |
| 3 | | *PRIVATELY HELD STOCK*-There is no market for this stock | | | | | | | |
| 4 | | | | | | | | | |
| 5 | | | | | | | | | |
| 6 | | | | | | | | | |
| 7 | | | | | | | | | |
| 8 | Month by Month Data: | | | | | | | | |
| 9 | January | (NOT APPLICABLE-UNDER 5000 ACCESS LINES) | | | | | | | |
| 10 | February | | | | | | | | |
| 11 | March | | | | | | | | |
| 12 | April | | | | | | | | |
| 13 | May | | | | | | | | |
| 14 | June | | | | | | | | |
| 15 | July | | | | | | | | |
| 16 | August | | | | | | | | |
| 17 | September | | | | | | | | |
| 18 | October | | | | | | | | |
| 19 | November | | | | | | | | |
| 20 | December | | | | | | | | |
| 21 | | | | | | | | | |
| 22 | | | | | | | | | |
| 23 | | | | | | | | | |

**Company Name: Southern Montana Telephone Company** **SCHEDULE 16**

## Capital Stock and Funded Debt Reacquired or Retired During the Year

**Year:2001**

| Line No. | Description of Security (a) | Call or Retirement Date (b) | Number of Shares (c) | Principal Amount (d) | Reaquisition or Retirement Cost (e) | Gain or (Loss) (f) | Retirement or Reaquisition (g) |
|---|---|---|---|---|---|---|---|
| 1 | NONE | | | | | | |
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| 29 | | | | | | | |
| 30 | **Totals (Sum L.1 to L.29)** | | | | | | |

**Company Name: Southern Montana Telephone Company**



## Total Company Expense Matrix

**Year:2001**

| Line No. | | Acct. No. (a) | Description (b) | Salaries and Wages (c) | Benefits (d) | Rents (e) | Other Expenses (f) | Clearances (g) | Total (h) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | * | 6110 | Network Support Expense | | | | | | |
| 2 | ^ | 6112 | Motor Vehicle Expense | (NOT APPLICABLE-UNDER 5000 ACCESS LINES) | | | | | |
| 3 | ^ | 6113 | Aircraft Expense | | | | | | |
| 4 | ^ | 6114 | Special Purpose Vehicles Expense | | | | | | |
| 5 | ^ | 6115 | Garage Work Equipment Expense | | | | | | |
| 6 | ^ | 6116 | Other Work Equipment Expense | | | | | | |
| 7 | * | 6120 | General Support Expense | | | | | | |
| 8 | ^ | 6121 | Land and Building Expense | | | | | | |
| 9 | ^ | 6122 | Furniture and Artworks Expense | | | | | | |
| 10 | ^ | 6123 | Office Equipment Expense | | | | | | |
| 11 | ^ | 6124 | General Purpose Computers Expense | | | | | | |
| 12 | * | 6210 | Central Office Switching Expense | | | | | | |
| 13 | ^ | 6211 | Analog Electronic Expense | | | | | | |
| 14 | ^ | 6212 | Digital Electronic Expense | | | | | | |
| 15 | ^ | 6215 | Electro-Mechanical Expense | | | | | | |
| 16 | | 6220 | Operator Systems Expense | | | | | | |
| 17 | * | 6230 | Central Office Transmission Expense | | | | | | |
| 18 | ^ | 6231 | Radio Systems Expense | | | | | | |
| 19 | ^ | 6232 | Circuit Equipment Expense | | | | | | |
| 20 | * | 6310 | Information Origination/Termination Expense | | | | | | |
| 21 | ^ | 6311 | Station Apparatus Expense | | | | | | |
| 22 | ^ | 6341 | Large Private Branch Exchange Expense | | | | | | |
| 23 | ^ | 6351 | Public Telephone Terminal Equipment Exp. | | | | | | |
| 24 | ^ | 6362 | Other Terminal Equipment Expense | | | | | | |
| 25 | * | 6410 | Cable and Wire Facilities Expense | | | | | | |
| 26 | ^ | 6411 | Poles Expense | | | | | | |
| 27 | ^ | 6421 | Aerial Cable Expense | | | | | | |
| 28 | ^ | 6422 | Underground Cable Expense | | | | | | |
| 29 | ^ | 6423 | Buried Cable Expense | | | | | | |
| 30 | ^ | 6424 | Submarine Cable Expense | | | | | | |
| 31 | ^ | 6425 | Deep Sea Cable Expense | | | | | | |
| 32 | ^ | 6426 | Intrabuilding Network Cable Expense | | | | | | |
| 33 | ^ | 6431 | Aerial Wire Expense | | | | | | |
| 34 | | | **Subtotals** | | | | | | |

^ Subaccount of the account marked with a *.

Company Name: Southern Montana Telephone Company



## Total Company Expense Matrix

**Year:2001**

| Line No. | | Acct. No. (a) | Description (b) | Salaries and Wages (c) | Benefits (d) | Rents (e) | Other Expenses (f) | Clearances (g) | Total (h) |
|---|---|---|---|---|---|---|---|---|---|
| 35 | ^ | 6441 | Conduit Systems Expense | | | | | | |
| 36 | | 6510 | Other Property Expenses | (NOT APPLICABLE-UNDER 5000 ACCESS LINES) | | | | | |
| 37 | * | 6530 | Network Operations Expense | | | | | | |
| 38 | ^ | 6531 | Power Expense | | | | | | |
| 39 | ^ | 6532 | Network Administration Expense | | | | | | |
| 40 | ^ | 6533 | Testing Expense | | | | | | |
| 41 | ^ | 6534 | Plant Operations Expense | | | | | | |
| 42 | ^ | 6535 | Engineering Expense | | | | | | |
| 43 | | 6540 | Access Expense | | | | | | |
| 44 | | 6561 | Depreciation - Telecomm. Plant in Service | | | | | | |
| 45 | | 6562 | Depreciation-Prop. for Future Telecom. Use | | | | | | |
| 46 | | 6563 | Amortization Expense - Tangible | | | | | | |
| 47 | | 6564 | Amortization Expense - Intangible | | | | | | |
| 48 | | 6565 | Amortization - Other | | | | | | |
| 49 | * | 6610 | Marketing | | | | | | |
| 50 | ^ | 6611 | Product Management | | | | | | |
| 51 | ^ | 6612 | Sales | | | | | | |
| 52 | ^ | 6613 | Product Advertising | | | | | | |
| 53 | | 6621 | Call Completion Services | | | | | | |
| 54 | | 6622 | Number Services | | | | | | |
| 55 | | 6623 | Customer Services | | | | | | |
| 56 | | 6711 | Executive | | | | | | |
| 57 | | 6712 | Planning | | | | | | |
| 58 | | 6721 | Accounting and Finance | | | | | | |
| 59 | | 6722 | External Relations | | | | | | |
| 60 | | 6723 | Human Relations | | | | | | |
| 61 | | 6724 | Information Management | | | | | | |
| 62 | | 6725 | Legal | | | | | | |
| 63 | | 6726 | Procurement | | | | | | |
| 64 | | 6727 | Research and Development | | | | | | |
| 65 | | 6728 | Other General and Administrative | | | | | | |
| 66 | | 6790 | Provision for Uncollectible Notes Receivable | | | | | | |
| 67 | | | **Totals** | | | | | | |

^ Subaccount of the account marked with a *.

**Company Name: Southern Montana Telephone Company**



## Total State Expense Matrix

**Year:2001**

| Line No. | | Acct. No. (a) | Description (b) | Salaries and Wages (c) | Benefits (d) | Rents (e) | Other Expenses (f) | Clearances (g) | Total (h) |
|---|---|---|---|---|---|---|---|---|---|
| 1 | * | 6110 | Network Support Expense | | | | | | |
| 2 | ^ | 6112 | Motor Vehicle Expense | (NOT APPLICABLE-UNDER 5000 ACCESS LINES) | | | | | |
| 3 | ^ | 6113 | Aircraft Expense | | | | | | |
| 4 | ^ | 6114 | Special Purpose Vehicles Expense | | | | | | |
| 5 | ^ | 6115 | Garage Work Equipment Expense | | | | | | |
| 6 | ^ | 6116 | Other Work Equipment Expense | | | | | | |
| 7 | * | 6120 | General Support Expense | | | | | | |
| 8 | ^ | 6121 | Land and Building Expense | | | | | | |
| 9 | ^ | 6122 | Furniture and Artworks Expense | | | | | | |
| 10 | ^ | 6123 | Office Equipment Expense | | | | | | |
| 11 | ^ | 6124 | General Purpose Computers Expense | | | | | | |
| 12 | * | 6210 | Central Office Switching Expense | | | | | | |
| 13 | ^ | 6211 | Analog Electronic Expense | | | | | | |
| 14 | ^ | 6212 | Digital Electronic Expense | | | | | | |
| 15 | ^ | 6215 | Electro-Mechanical Expense | | | | | | |
| 16 | | 6220 | Operator Systems Expense | | | | | | |
| 17 | * | 6230 | Central Office Transmission Expense | | | | | | |
| 18 | ^ | 6231 | Radio Systems Expense | | | | | | |
| 19 | ^ | 6232 | Circuit Equipment Expense | | | | | | |
| 20 | * | 6310 | Information Origination/Termination Expense | | | | | | |
| 21 | ^ | 6311 | Station Apparatus Expense | | | | | | |
| 22 | ^ | 6341 | Large Private Branch Exchange Expense | | | | | | |
| 23 | ^ | 6351 | Public Telephone Terminal Equipment Exp. | | | | | | |
| 24 | ^ | 6362 | Other Terminal Equipment Expense | | | | | | |
| 25 | * | 6410 | Cable and Wire Facilities Expense | | | | | | |
| 26 | ^ | 6411 | Poles Expense | | | | | | |
| 27 | ^ | 6421 | Aerial Cable Expense | | | | | | |
| 28 | ^ | 6422 | Underground Cable Expense | | | | | | |
| 29 | ^ | 6423 | Buried Cable Expense | | | | | | |
| 30 | ^ | 6424 | Submarine Cable Expense | | | | | | |
| 31 | ^ | 6425 | Deep Sea Cable Expense | | | | | | |
| 32 | ^ | 6426 | Intrabuilding Network Cable Expense | | | | | | |
| 33 | ^ | 6431 | Aerial Wire Expense | | | | | | |
| 34 | | | **Subtotals** | | | | | | |

^ Subaccount of the account marked with a *.

Company Name: Southern Montana Telephone Company



## Total State Expense Matrix

**Year:2001**

| Line No. | | Acct. No. (a) | Description (b) | Salaries and Wages (c) | Benefits (d) | Rents (e) | Other Expenses (f) | Clearances (g) | Total (h) |
|---|---|---|---|---|---|---|---|---|---|
| 35 | ^ | 6441 | Conduit Systems Expense | | | | | | |
| 36 | | 6510 | Other Property Expenses | (NOT APPLICABLE-UNDER 5000 ACCESS LINES) | | | | | |
| 37 | * | 6530 | Network Operations Expense | | | | | | |
| 38 | ^ | 6531 | Power Expense | | | | | | |
| 39 | ^ | 6532 | Network Administration Expense | | | | | | |
| 40 | ^ | 6533 | Testing Expense | | | | | | |
| 41 | ^ | 6534 | Plant Operations Expense | | | | | | |
| 42 | ^ | 6535 | Engineering Expense | | | | | | |
| 43 | | 6540 | Access Expense | | | | | | |
| 44 | | 6561 | Depreciation - Telecomm. Plant in Service | | | | | | |
| 45 | | 6562 | Depreciation-Prop. for Future Telecom. Use | | | | | | |
| 46 | | 6563 | Amortization Expense - Tangible | | | | | | |
| 47 | | 6564 | Amortization Expense - Intangible | | | | | | |
| 48 | | 6565 | Amortization - Other | | | | | | |
| 49 | * | 6610 | Marketing | | | | | | |
| 50 | ^ | 6611 | Product Management | | | | | | |
| 51 | ^ | 6612 | Sales | | | | | | |
| 52 | ^ | 6613 | Product Advertising | | | | | | |
| 53 | | 6621 | Call Completion Services | | | | | | |
| 54 | | 6622 | Number Services | | | | | | |
| 55 | | 6623 | Customer Services | | | | | | |
| 56 | | 6711 | Executive | | | | | | |
| 57 | | 6712 | Planning | | | | | | |
| 58 | | 6721 | Accounting and Finance | | | | | | |
| 59 | | 6722 | External Relations | | | | | | |
| 60 | | 6723 | Human Relations | | | | | | |
| 61 | | 6724 | Information Management | | | | | | |
| 62 | | 6725 | Legal | | | | | | |
| 63 | | 6726 | Procurement | | | | | | |
| 64 | | 6727 | Research and Development | | | | | | |
| 65 | | 6728 | Other General and Administrative | | | | | | |
| 66 | | 6790 | Provision for Uncollectible Notes Receivable | | | | | | |
| 67 | | | **Totals** | | | | | | |

^ Subaccount of the account marked with a *.

# Pension Costs

Year: 2001

| | | | | |
|---|---|---|---|---|
| 1 | Plan Name - NTCA Retirement & Security Plan | | | |
| 2 | Defined Benefit Plan? _____yes_____ | Defined Contribution Plan? ___yes_____ | | |
| 3 | Actuarial Cost Method? _____ | IRS Code: ____51330_____ | | |
| 4 | Annual Contribution by Employer: ____$90,343_____ | Is the Plan Over Funded? __yes_____ | | |
| 5 | | | | |
| | Item | Current Year | Last Year | % Change |
| 6 | **Change in Benefit Obligation** | | | |
| 7 | Benefit obligation at beginning of year | | | |
| 8 | Service cost | | | |
| 9 | Interest Cost | | | |
| 10 | Plan participants' contributions | | | |
| 11 | Amendments | | | |
| 12 | Actuarial Gain | | | |
| 13 | Acquisition | | | |
| 14 | Benefits paid | | | |
| 15 | Benefit obligation at end of year | | | |
| 16 | **Change in Plan Assets** | | | |
| 17 | Fair value of plan assets at beginning of year | | | |
| 18 | Actual return on plan assets | | | |
| 19 | Acquisition | | | |
| 20 | Employer contribution | | | |
| 21 | Plan participants' contributions | | | |
| 22 | Benefits paid | | | |
| 23 | Fair value of plan assets at end of year | | | |
| 24 | **Funded Status** | | | |
| 25 | Unrecognized net actuarial loss | | | |
| 26 | Unrecognized prior service cost | | | |
| 27 | Prepaid (accrued) benefit cost | | | |
| 28 | | | | |
| 29 | **Weighted-average Assumptions as of Year End** | | | |
| 30 | Discount rate | | | |
| 31 | Expected return on plan assets | | | |
| 32 | Rate of compensation increase | | | |
| 33 | | | | |
| 34 | **Components of Net Periodic Benefit Costs** | | | |
| 35 | Service cost | | | |
| 36 | Interest cost | | | |
| 37 | Expected return on plan assets | | | |
| 38 | Amortization of prior service cost | | | |
| 39 | Recognized net actuarial loss | | | |
| 40 | Net periodic benefit cost | | | |
| 41 | | | | |
| 42 | **Montana Intrastate Costs:** | | | |
| 43 | Pension Costs | | | |
| 44 | Pension Costs Capitalized | | | |
| 45 | Accumulated Pension Asset (Liability) at Year End | | | |
| 46 | **Number of Company Employees:** | | | |
| 47 | Covered by the Plan | 6 | 6 | |
| 48 | Not Covered by the Plan | | | |
| 49 | Active | 6 | 6 | |
| 50 | Retired | | | |
| 51 | Deferred Vested Terminated | | | |

# Other Post Employment Benefits (OPEBS)

Year: 2001

| | Item | Current Year | Last Year | % Change |
|---|---|---|---|---|
| 1 | **Regulatory Treatment:** | | | |
| 2 | Commission authorized - most recent | | | |
| 3 | Docket number: _____ | | | |
| 4 | Order number: _____ | | | |
| 5 | Amount recovered through rates | | | |
| 6 | **Weighted-average Assumptions as of Year End** | | | |
| 7 | Discount rate | | | |
| 8 | Expected return on plan assets | | | |
| 9 | Medical Cost Inflation Rate | | | |
| 10 | Actuarial Cost Method | | | |
| 11 | Rate of compensation increase | | | |
| 12 | **List each method used to fund OPEBs (ie: VEBA, 401(h)) and if tax advantaged:** | | | |
| 13 | | | | |
| 14 | | | | |
| 15 | **Describe any Changes to the Benefit Plan:** | | | |
| 16 | | | | |
| 17 | **TOTAL COMPANY** | | | |
| 18 | **Change in Benefit Obligation** | | | |
| 19 | Benefit obligation at beginning of year | | | |
| 20 | Service cost | | | |
| 21 | Interest Cost | | | |
| 22 | Plan participants' contributions | | | |
| 23 | Amendments | | | |
| 24 | Actuarial Gain | | | |
| 25 | Acquisition | | | |
| 26 | Benefits paid | | | |
| 27 | Benefit obligation at end of year | | | |
| 28 | **Change in Plan Assets** | | | |
| 29 | Fair value of plan assets at beginning of year | | | |
| 30 | Actual return on plan assets | | | |
| 31 | Acquisition | | | |
| 32 | Employer contribution | | | |
| 33 | Plan participants' contributions | | | |
| 34 | Benefits paid | | | |
| 35 | Fair value of plan assets at end of year | | | |
| 36 | **Funded Status** | | | |
| 37 | Unrecognized net actuarial loss | | | |
| 38 | Unrecognized prior service cost | | | |
| 39 | Prepaid (accrued) benefit cost | | | |
| 40 | **Components of Net Periodic Benefit Costs** | | | |
| 41 | Service cost | | | |
| 42 | Interest cost | | | |
| 43 | Expected return on plan assets | | | |
| 44 | Amortization of prior service cost | | | |
| 45 | Recognized net actuarial loss | | | |
| 46 | Net periodic benefit cost | | | |
| 47 | **Accumulated Post Retirement Benefit Obligation** | | | |
| 48 | Amount Funded through VEBA | | | |
| 49 | Amount Funded through 401(h) | | | |
| 50 | Amount Funded through Other _____ | | | |
| 51 | TOTAL | | | |
| 52 | Amount that was tax deductible - VEBA | | | |
| 53 | Amount that was tax deductible - 401(h) | | | |
| 54 | Amount that was tax deductible - Other _____ | | | |
| 55 | TOTAL | | | |

# Other Post Employment Benefits (OPEBS) Continued

Year: 2001

| | Item | Current Year | Last Year | % Change |
|---|---|---|---|---|
| 1 | **Number of Company Employees:** | | | |
| 2 | Covered by the Plan | | | |
| 3 | Not Covered by the Plan | | | |
| 4 | Active | | | |
| 5 | Retired | | | |
| 6 | Spouses/Dependants covered by the Plan | | | |
| 7 | **Montana** | | | |
| 8 | **Change in Benefit Obligation** | | | |
| 9 | Benefit obligation at beginning of year | | | |
| 10 | Service cost | | | |
| 11 | Interest Cost | | | |
| 12 | Plan participants' contributions | | | |
| 13 | Amendments | | | |
| 14 | Actuarial Gain | | | |
| 15 | Acquisition | | | |
| 16 | Benefits paid | | | |
| 17 | Benefit obligation at end of year | | | |
| 18 | **Change in Plan Assets** | | | |
| 19 | Fair value of plan assets at beginning of year | | | |
| 20 | Actual return on plan assets | | | |
| 21 | Acquisition | | | |
| 22 | Employer contribution | | | |
| 23 | Plan participants' contributions | | | |
| 24 | Benefits paid | | | |
| 25 | Fair value of plan assets at end of year | | | |
| 26 | **Funded Status** | | | |
| 27 | Unrecognized net actuarial loss | | | |
| 28 | Unrecognized prior service cost | | | |
| 29 | Prepaid (accrued) benefit cost | | | |
| 30 | **Components of Net Periodic Benefit Cccosts** | | | |
| 31 | Service cost | | | |
| 32 | Interest cost | | | |
| 33 | Expected return on plan assets | | | |
| 34 | Amortization of prior service cost | | | |
| 35 | Recognized net actuarial loss | | | |
| 36 | Net periodic benefit cost | | | |
| 37 | **Accumulated Post Retirement Benefit Obligation** | | | |
| 38 | Amount Funded through VEBA | | | |
| 39 | Amount Funded through 401(h) | | | |
| 40 | Amount Funded through other _____ | | | |
| 41 | TOTAL | | | |
| 42 | Amount that was tax deductible - VEBA | | | |
| 43 | Amount that was tax deductible - 401(h) | | | |
| 44 | Amount that was tax deductible - Other | | | |
| 45 | TOTAL | | | |
| 46 | **Montana Intrastate Costs:** | | | |
| 47 | Pension Costs | | | |
| 48 | Pension Costs Capitalized | | | |
| 49 | Accumulated Pension Asset (Liability) at Year End | | | |
| 50 | **Number of Montana Employees:** | | | |
| 51 | Covered by the Plan | | | |
| 52 | Not Covered by the Plan | | | |
| 53 | Active | | | |
| 54 | Retired | | | |
| 55 | Spouses/Dependants covered by the Plan | | | |

Company Name: Southern Montana Telephone Company

SCHEDULE 21

Page 1 of

# Payments for Services to Persons Other Than Employees

Year: 2001

| Line No. | Name of Recipient (a) | Nature of Service (b) | Total Company Cost (c) | Total State Cost (d) | Intrastate Cost (e) |
|---|---|---|---|---|---|
| 1 | | | | | |
| 2 | (NOT APPLICABLE-UNDER 5000 ACCESS LINES) | | | | |
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| 49 | **Total** | | | | |

## Subscriber Line Usage Data

Year: 2001

| Line No. | Description (a) | This Year (b) | % of Total (c) | Last Year (d) | % of Total (e) |
|---|---|---|---|---|---|
| 1 | Toll Usage: | 3470736 | 55.75% | 3458252 | 54.07% |
| 2 | Interstate, InterLATA | | | | |
| 3 | Interstate, IntraLATA | | | | |
| 4 | **Total Interstate Usage** | 3470736 | 55.75% | 3458252 | 54.07% |
| 5 | Intrastate, InterLATA | 598125 | 9.61% | 625757 | 9.78% |
| 6 | Intrastate, IntraLATA | 2156733 | 34.64% | 2311965 | 36.15% |
| 7 | **Total Intrastate Usage** | 2754858 | 44.25% | 2937722 | 45.93% |
| 8 | **Total Toll Usage** | 6225594 | 100.00% | 6395974 | 100.00% |
| 9 | Centrex | | | | |
| 10 | Local | | | | |
| 11 | **Total Minutes** | 6225594 | 100.00% | 6395974 | 100.00% |

**Company Name: Southern Montana Telephone Company**

**SCHEDULE 23**
Page 1 of

# Cental Office and Access Line Statistics

Year: 2001

| Line No. | Wire Center (a) | Type of Office (b) | Residential (c) | ISDN (d) | ADSL (e) | Lifeline Customers (f) | Residential LMS Customers (g) | Single Line Business (h) | Multi-Line Business (i) | Customer Owned Coin (j) | Company Owned Coin (k) | Other (l) | % of Lines w/ T. Tone (m) | Total Access Lines (n) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | *DIVIDE* | *DIGITAL* | *83* | | | *1* | | *7* | | | *1* | | *93.5%* | 91 |
| 2 | *GRANT* | *DIGITAL* | *105* | | | | | *3* | | | *1* | | *89.0%* | 109 |
| 3 | *JACKSON* | *DIGITAL* | *243* | | | | | *24* | | *2* | *2* | | *91.1%* | 271 |
| 4 | *WISDOM* | *DIGITAL* | *231* | | | *1* | | *22* | | *4* | *1* | | *92.3%* | 258 |
| 5 | *WISE RIVER* | *DIGITAL* | *221* | | | *2* | | *39* | | *2* | *1* | | *89.7%* | 263 |
| 6 | | | | | | | | | | | | | | |
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| 33 | **Total** | | 883 | | | 4 | | 95 | | 8 | 6 | | 4.556 | 992 |

NOTE: Additional blank schedules are being provided for your convenience.

# Central Office and Switch Information

Year: 2001

| Line No. | Wire Center (a) | Office Configuration (Host, Remote, Stand alone) (b) | Type of Switch (c) | Switch Vendor/ Manufacturer (d) | Switch Model No. (e) | Switch Line Capacity (f) | Year Deployed (g) |
|---|---|---|---|---|---|---|---|
| 1 | 406-267 | REMOTE | DIGITAL | NTI | DMS-10 | 512 | 1990 |
| 2 | 406-832 | REMOTE | DIGITAL | NTI | DMS-10 | 512 | 1983 |
| 3 | 406-689-S | REMOTE | DIGITAL | NTI | DMS-10 | 512 | 1983 |
| 4 | 406-689 | HOST | DIGITAL | NTI | DMS-10 | 640 | 1983 |
| 5 | 406-834-J | REMOTE | DIGITAL | NTI | DMS-10 | 512 | 1983 |
| 6 | 406-834-T | REMOTE | DIGITAL | NTI | DMS-10 | 512 | 1983 |
| 7 | 406-681 | REMOTE | DIGITAL | NTI | DMS-10 | 512 | 1983 |
| 8 | | | | | | | |
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| 48 | | | | | | | |

NOTE: Additional blank schedules are being provided for your convenience.

# Construction Budget - Montana

Year: 2002

| Line No. | Description (a) | 2002 (b) |
|---|---|---|
| 1 | **Central Office Assets:** | |
| 2 | Equipment Upgrade | 100,000 |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |
| 7 | | |
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| 24 | | |
| 25 | | |
| 26 | | |
| 27 | Total Switching and Central Office Projects over $500,000 | |
| 28 | Miscellaneous Central Office Projects not over $500,000 | |
| 29 | **Total Central Office Budget (Total of Line 27 & Line 28)** | |
| 30 | **Other Projects over $500,000:** | |
| 31 | | |
| 32 | | |
| 33 | | |
| 34 | | |
| 35 | | |
| 36 | | |
| 37 | | |
| 38 | | |
| 39 | | |
| 40 | | |
| 41 | Total Other Projects over $500,000 | |
| 42 | Miscellaneous projects not over $500,000 | |
| 43 | **Total Construction Budget (Total of Lines 29, 41 & 42)** | |

# Montana Employee Counts

Year: 2001

| Line No. | Category (a) | Beginning of Year (b) | End of Year (c) |
|---|---|---|---|
| 1 | Executive | 1 | 1 |
| 2 | Office | 3 | 3 |
| 3 | Outside Plant/COE | 2 | 2 |
| 4 | | | |
| 5 | | | |
| 6 | | | |
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| 37 | | | |
| 38 | | | |
| 39 | | | |
| 40 | | | |
| 41 | | | |
| 42 | | | |
| 43 | **Totals (Sum of Lines 1 through 42)** | 6 | 6 |

Company Name:

SCHEDULE 27

# Compensation of Top 10 Montana Based Employees

Year:

| Line No. | Name/Title (a) | Base Salary (b) | Bonuses (c) | Other Compensation (d) | Total Compensation (e) | Total Compensation Last Year (f) | % Increase Total Compensation (g) |
|---|---|---|---|---|---|---|---|
| 1 | | (Confidential & Proprietary | | | | | |
| 2 | | Filed separately on yellow paper) | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | | | | | | | |
| 6 | | | | | | | |
| 7 | | | | | | | |
| 8 | | | | | | | |
| 9 | | | | | | | |
| 10 | | | | | | | |
| 11 | **Totals (Sum L.1 to L.10)** | | | | | | |

Company Name:

SCHEDULE 28

Year:

## Compensation of Top 5 Corporate Employees - SEC Information

| Line No. | Name/Title (a) | Base Salary (b) | Bonuses (c) | Other Compensation (d) | Total Compensation (e) | Total Compensation Last Year (f) | % Increase Total Compensation (g) |
|---|---|---|---|---|---|---|---|
| 1 | | | | | | | |
| | | * Confidential & Proprietary * | | | | | |
| 2 | | (Filed separately on yellow paper) | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | | | | | | | |
| 6 | **Totals (Sum L.1 to L.5)** | | | | | | |

**Company Name: Southern Montana Telephone Company** **SCHEDULE 29**

*NOT APPLICABLE*-Not able to provide this information. Would require hiring outside consultants.

# Montana Composite Statistics

Year: 2001

| Line No. | Account No. | Description (a) | Amount (b) |
|---|---|---|---|
| 1 | | **Plant (Intrastate Only) (000 Omitted)** | |
| 2 | 2001 | Plant in Service | |
| 3 | 2003 - 2004 | Construction Work in Progress | |
| 4 | 2005 | Plant Acquisition Adjustments | |
| 5 | 2002 | Plant Held for Future Use | |
| 6 | 1220 | Materials & Supplies | |
| 7 | | (Less): | |
| 8 | 3100 - 3400 | Depreciation & Amortization Reserves | |
| 9 | 4360.2 | Contributions in Aid of Construction | |
| 10 | | **NET BOOK COSTS** | |
| 11 | | **Revenues & Expenses (Intrastate Only) (000 Omitted)** | |
| 12 | 5000 - 5300 | Operating Revenues | |
| 13 | 6560 | Depreciation & Amortization Expenses | |
| 14 | | Federal & State Income Taxes | |
| 15 | | Other Taxes | |
| 16 | | Other Operating Expenses | |
| 17 | | TOTAL Operating Expenses | |
| 18 | | Net Operating Income | |
| 19 | | Other Income | |
| 20 | | Other Deductions | |
| 21 | | **NET INCOME** | |
| 22 | | **Access Lines in Service (Intrastate Only)** | |
| 23 | | Residential Access Lines | |
| 24 | | Business Access Lines | |
| 25 | | PBX Access Lines | |
| 26 | | Other Access Lines | |
| 27 | | **Total Number of Access Lines** | |
| 28 | | **Average Number of Calls Per Access Line** | |
| 29 | | Local Calls | |
| 30 | | Toll Calls (Intra- or Interstate) | |
| 31 | | **Total Number of Calls Per Access Line (Total of Line 29 & Line 30)** | |
| 32 | | **Other Statistics (Intrastate Only)** | |
| 33 | | Average Residential Monthly Bill | |
| 34 | | Gross Plant Investment per Access Line | |

# Depreciation - Montana Intrastate Regulated

Year: 2001

| Line No. | Acct No. (a) | Description (b) | Composite Rate % (c) | Total Expense $ (d) |
|---|---|---|---|---|
| 1 | 2112 | Motor Vehicles | 33.0% | 4,918 |
| 2 | 2114 | Special Purpose Vehicles | | |
| 3 | 2115 | Garage Work Equipment | | |
| 4 | 2116 | Other work Equipment | 13.4% | 50,029 |
| 5 | 2121 | Buildings | 4.2% | 23,106 |
| 6 | 2122 | Furniture | | |
| 7 | 2123.1 | Office Support Equipment | 11.7% | 914 |
| 8 | 2123.2 | Company Communications Equipment | 9.3% | 1,596 |
| 9 | 2124 | General Purpose Computers | 20.0% | 8,073 |
| 10 | 2211 | Analog Electronic Switching Equipment | | |
| 11 | 2212 | Digital Electronic Switching Equipment | 10.0% | 102,600 |
| 12 | 2215 | Step By Step Switching Equipment | | |
| 13 | 2215 | Crossbar Switching Equipment | | |
| 14 | 2220 | Operator System | | |
| 15 | 2231 | Radio Systems | | |
| 16 | 2232 | Circuit DDS | | |
| 17 | 2232 | Circuit Digital | 10.0% | 60,857 |
| 18 | 2232 | Circuit Analog | | |
| 19 | 2351 | Public Telephone Terminating Equipment | | |
| 20 | 2362 | Other Terminal Equipment | | |
| 21 | 2411 | Poles | | |
| 22 | 2421 | Aerial Cable Metallic | | |
| 23 | 2421 | Aerial Cable Nonmetallic | | |
| 24 | 2422 | Underground Cable Metallic | | |
| 25 | 2422 | Underground Cable Nonmetallic | | |
| 26 | 2423 | Buried Cable Metallic | 5.0% | 194,003 |
| 27 | 2423 | Buried Cable Nonmetallic | | |
| 28 | 2424 | Submarine Cable Metallic | | |
| 29 | 2424 | Submarine Cable Nonmetallic | | |
| 30 | 2426 | Intrabuilding Network Cable Metallic | | |
| 31 | 2426 | Intrabuilding Network Cable Nonmetallic | | |
| 32 | 2431 | Aerial Wire | 5.0% | 1,536 |
| 33 | 2441 | Conduit Systems | | |
| 34 | | | | |
| 35 | | **COMPOSITE TOTAL** | | |
| 36 | | | | |
| 37 | | Have these rates been approved by the Commission? ___X___YES _____ NO | | |
| 38 | | | | |
| 39 | | If yes: _____ Docket Number _____ Order Number | | |
| 40 | | | | |

**Company Name:** **Southern Montana Telephone Company**

**SCHEDULE 31**

## Montana Regulatory Capital Structure & Costs

Year: 2001

| Line No. | Description (a) | % Cap. Str. (b) | % Cost Rate (c) | Weighted Cost (d) |
|---|---|---|---|---|
| | **Commission Accepted - Most Recent** | | | |
| 1 | Docket Number | | | |
| 2 | Order Number | | | |
| 3 | | | | |
| 4 | Common Equity | | | |
| 5 | Preferred Stock | | | |
| 6 | Long Term Debt | | | |
| 7 | Other | | | |
| 8 | **Total** | | | |
| 9 | | | | |
| 10 | **Actual at Year End** | | | |
| 11 | | | | |
| 12 | Common Equity | | | |
| 13 | Preferred Stock | | | |
| 14 | Long Term Debt | | | |
| 15 | Other | | | |
| 16 | **Total** | | | |

**Company Name:** **Southern Mont**

**SCHEDULE 32**

## Network Access - Charges and Revenues

Year: 2001

| Line No. | Description (a) | Access Charges Paid (b) | Access Revenues Received (c) |
|---|---|---|---|
| 1 | Montana - Total State | | 383092 |
| 2 | | | |
| 3 | Montana - Intrastate | | 383092 |
| 4 | | | |
| 5 | Montana - Intrastate Regulated | | 383092 |
| 6 | | | |
| 7 | | | |
| 8 | | | |
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| 13 | | | |

**Company Name: Southern Montana Telephone Company** **SCHEDULE 33**

## Affiliate Transactions - Products & Services Provided to Utility

Year: 2001

| Line No. | Affiliate Name (a) | Products & Services (b) | Method to Determine Price (c) | Charges to Utility (d) | % Total Affil. Revenues (e) | Charges to MT Utility (f) |
|---|---|---|---|---|---|---|
| 1 | National Information Systems | Computer Service Bureau (Billing Acctg & Plant Software Maintenance) | Varies | 55,967 | | 55,967 |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | GVNW, Inc. | Consultants (Cost Studies, Separations, Traffic Studies, Etc.) | Hourly Rate | 31,372 | | 31,372 |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
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| 27 | | | | | | |
| 28 | | | | | | |
| 29 | | | | | | |
| 30 | **TOTAL** | | | $87,339 | | $87,339 |

**Company Name: Southern Montana Telephone Company** **SCHEDULE 34**

## Affiliate Transactions - Products & Services Provided by Utility

Year: 2001

| Line No. | Affiliate Name (a) | Products & Services (b) | Method to Determine Price (c) | Charges to Affiliate (d) | % Total Affil. Revenues (e) | Charges to MT Utility (f) |
|---|---|---|---|---|---|---|
| 1 | NONE | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
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| 28 | | | | | | |
| 29 | | | | | | |
| 30 | **TOTAL** | | | | | |

**Company Name: Southern Montana Telephone Company** **SCHEDULE 35**

*NOT APPLICABLE*-Would require hiring of ourside consultants to preparte separations cost study.

# Montana Intrastate Regulated Earned Rate of Return

Year: 2001

| Line No. | Description Rate Base (a) | This Year (b) | Last Year (c) | Percent Change (d) |
|---|---|---|---|---|
| 1 | | | | |
| 2 | 2001 Plant in Service | | | |
| 3 | 2002 Prop. Held for Future Telecommunications Use | | | |
| 4 | 3100-3200 (Less) Accumulated Depreciation | | | |
| 5 | **Plant in Service** | | | |
| 6 | | | | |
| 7 | **Additions** | | | |
| 8 | 1220 Materials & Supplies | | | |
| 9 | 1280 Prepayments | | | |
| 10 | Other Additions | | | |
| 11 | **TOTAL Additions** | | | |
| 12 | | | | |
| 13 | **Deductions** | | | |
| 14 | 4100 Current Deferred Operating Income Taxes | | | |
| 15 | 4320 Unamortized Operating Investment Tax Credits | | | |
| 16 | 4340 Noncurrent Deferred Operating Income Taxes | | | |
| 17 | Customer Advances for Construction | | | |
| 18 | Other Deductions | | | |
| 19 | **TOTAL Deductions** | | | |
| 20 | **TOTAL Rate Base** | | | |
| 21 | | | | |
| 22 | **Net Earnings** | | | |
| 23 | | | | |
| 24 | **Rate of Return on Average Rate Base** | | | |
| 25 | | | | |
| 26 | **Rate of Return on Average Equity** | | | |
| 27 | | | | |
| 28 | Major Normalizing Adjustments & Commission | | | |
| 29 | Ratemaking adjustments to Utility Operations | | | |
| 30 | | | | |
| 31 | | | | |
| 32 | | | | |
| 33 | | | | |
| 34 | | | | |
| 35 | | | | |
| 36 | | | | |
| 37 | | | | |
| 38 | | | | |
| 39 | | | | |
| 40 | | | | |
| 41 | | | | |
| 42 | | | | |
| 43 | **Adjusted Rate of Return on Average Rate Base** | | | |
| 44 | | | | |
| 45 | **Adjusted Rate of Return on Average Equity** | | | |

## Other Taxes Paid

Year: 2001

| Line No. | Description (a) | Last Year (b) | This Year (c) |
|---|---|---|---|
| 1 | Montana Telephone Company License Tax | | |
| 2 | Montana Public Service Commission Tax | 1322 | 1319 |
| 3 | Montana Consumer Counsel Tax | 410 | 395 |
| 4 | 911 Emergency Telephone Fee | | |
| 5 | Montana Telecommunications Access Service (TDD) | | |
| 6 | Montana Corporate License Tax | 15 | 15 |
| 7 | Personal Property Tax | | |
| 8 | Real Property Tax | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | **Total** | 1747 | 1729 |

**Company Name:** **Southern Montana Telephone Company**



## Universal Service Funds Received

Year: 2001

| Line No. | Description (a) | Last Year (b) | This Year (c) |
|---|---|---|---|
| 13 | Funds received from Montana Sources | | |
| 14 | Funds received from Federal Sources | 279912 | 302876 |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | **Total** | 279912 | 302876 |