YEAR ENDING 2003

ANNUAL REPORT
OF
Hot Springs Telephone Company

TELEPHONE UTILITY

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PUBLIC SERVICE
COMMISSION

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

REVISED JULY 28, 1998

Telephone Annual Report

Instructions

General

1. A Microsoft EXCEL 2000 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: **2003**

1 Legal Name of Respondent: Hot Springs Telephone Co.

2. Name Under Which Respondent Does Business: Same as above

3. Date of Incorporation: 1-1-55

4. Address to send Correspondence Concerning Report: P.O. Box 7850
Kalispell, Mt. 59904-0850

5. Person Responsible for This Report: Phyllis O. Ekblad

5a. Telephone Number: (406)-755-7231

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: N A

1b. Means by which control was held: N A

1c. Percent Ownership: N A

Board of Directors

Line No.	Name of Director and Address (City, State) (a)	Fees Paid During Year (b)
1	Jay W. Preston Sr., 312 Main St. SW, Ronan, MT. 59864	None
2	Robert B. Ekblad, P.O. Box 161, Dayton, Mt. 59914	6,000
3	Phyllis O. Ekblad, 319 Commons Way, Kalispell, Mt. 59901	None
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18	**Chairman of the Board:**	
19		
20		

Officers

Year: 2003

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	General Manager	Jay W. Preston Sr., Ronan, Mt.
2	Secretary-Treasurer	Financial & Accounting	Phyllis O. Ekblad, Kalispell, Mt.
3	Vice-President	Engineering Studies, Technology	Robert B. Ekblad, Dayton, Mt.
4		Forcasting & Advance planning	
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Company Name: Hot Springs Telephone Co.

Total Company Balance Sheet

Year: 2003

Line No.		Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1			**CURRENT ASSETS:**		
2		1120	Cash and Equivalents	643,107	528,629
3		1180	Telecommunications Accounts Receivable - Net	8,462	6,963
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	9,348	18,649
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**	660,917	554,241
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	2,801,109	2,704,631
29		2002	Property Held for Future Telecommunications Use	50,000	
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	1,816,760	1,663,415
36		3200	Accumulated Depreciation - Held for Future Use		
37		3300	Accumulated Depreciation - Nonoperating		
38		3400	Accumulated Amortization		
39			**Net Property, Plant, & Equipment**	1,034,349	1,041,216
40			**TOTAL ASSETS**	1,695,266	1,595,457

^ Subaccount of account marked with a *.

Total Company Balance Sheet

Year: 2003

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
41		**CURRENT LIABILITIES:**		
42	4010	Accounts Payable	189,098	194,688
43	4020	Notes Payable		
44	4030	Advance Billing and Payments		
45	4040	Customer Deposits	15,133	13,153
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**	204,231	207,841
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	129,117	129,117
63		**Total Long-Term Debt**	129,117	129,117
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**	None	None
73		**STOCKHOLDERS' EQUITY:**		
74	4510	Capital Stock	80,000	80,000
75	4520	Additional Paid-In Capital	10,832	10,832
76	4530	Treasury Stock	(125,000)	(125,000)
77	4540	Other Capital		
78	4550	Retained Earnings	1,396,086	1,292,667
79		**Total Stockholders' Equity**	1,361,918	1,258,499
80		**TOTAL LIAB. AND STOCKHOLDERS' EQUITY**	1,695,266	1,595,457

Total Company Income Statement

Year: 2003

Line No.		Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1			**REVENUES:**		
2		5000	Basic Local Service Revenues	261,190	242,920
3		5080	Network Access Revenues	974,967	931,928
4	*	5100	Long Distance Message Revenue	18,874	8,905
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	37,751	44,240
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	7,811	4,123
16		5300	Uncollectible Revenue	(1,659)	(2,963)
17			**Total Revenues (L.2+L.3+L.4+L.9-L.16)**	1,298,934	1,229,153
18			**OPERATING EXPENSES:**		
19		6110	Network Support Expense	119,494	90,322
20		6120	General Support Expense	12,893	18,661
21		6210	Central Office Switching Expense	66,146	59,003
22		6220	Operator Systems Expense		
23		6230	Central Office Transmission Expense		
24		6310	Information Origination/Termination Expense		
25	*	6410	Cable and Wire Facilities Expense	64,749	73,733
26	^	6431	Aerial Wire Expense		
27	^	6441	Conduit Systems Expense		
28		6510	Other Property, Plant & Equipment Expense	123,412	66,807
29		6530	Network Operations Expense	74,634	66,488
30		6540	Access Expense	62,622	79,775
31		6560	Depreciation and Amortization Expense	153,344	167,033
32		6610	Marketing		
33		6620	Services	91,463	89,067
34		6710	Executive and Planning	21,414	17,205
35		6720	General and Administrative	349,670	319,695
36		6790	Provision for Uncollectible Notes Receivable		
37			**Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)**	1,139,841	1,047,790
38		7100	Other Operating Income and Expense		
39		7200	Operating Taxes	33,217	40,160
40			**Net Operating Income (L.17-L.37+L.38-L.39)**	125,876	141,204
41		7300	Nonoperating Income and Expense		
42		7400	Nonoperating Taxes		
43		7500	Interest and Related Items	10,958	14,919
44		7600	Extraordinary Items		
45		7910	Effects of Juris. Ratemaking Diff. - Net		
46		7990	Nonregulated Net Income	5,282	5,670
47			**NET INCOME (L.40+L.41-L.42-L.43-L.44+L.45-L.46)**	109,636	120,614

^ Subaccount of the account marked with a *.

Company Name: **Hot Springs Telephone Co.** **SCHEDULE 5**

Not Required--Doing Business Only in Montana

Montana Total State Income Statement

Year: 2003

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		
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)**		
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)**		

^ Subaccount of the account marked with a *.

Company Name: Hot Springs Telephone Co. **SCHEDULE 6**

Not Required--We have less than 5,000 Access Lines

Montana Intrastate Income Statement

Year: 2003

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		
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)**		
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)**		

^ Subaccount of the account marked with a *.

Company Name: Hot Springs Telephone Co. SCHEDULE 7

Total State Basis--Under 5,000 Access lines

Montana Intrastate Regulated Income Statement

Year: 2003

Line No.		Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1			**REVENUES:**		
2		5000	Basic Local Service Revenues	165,595	161,841
3		5080	Network Access Revenues	304,388	314,901
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	43,227	31,858
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	1,659	2,963
17			**Total Revenues (L.2+L.3+L.4+L.9-L.16)**	511,551	505,637
18			**OPERATING EXPENSES:**		
19		6110	Network Support Expense	13,467	13,291
20		6120	General Support Expense	12,582	17,914
21		6210	Central Office Switching Expense	66,146	59,003
22		6220	Operator Systems Expense		
23		6230	Central Office Transmission Expense		
24		6310	Information Origination/Termination Expense		
25	*	6410	Cable and Wire Facilities Expense	64,749	73,733
26	^	6431	Aerial Wire Expense		
27	^	6441	Conduit Systems Expense		
28		6510	Other Property, Plant & Equipment Expense	83,213	65,943
29		6530	Network Operations Expense	74,634	66,488
30		6540	Access Expense	3,600	3,600
31		6560	Depreciation and Amortization Expense	153,145	166,632
32		6610	Marketing		
33		6620	Services	133,072	113,159
34		6710	Executive and Planning	20,900	16,517
35		6720	General and Administrative	269,934	263,909
36		6790	Provision for Uncollectible Notes Receivable		
37			**Total Operating Expenses (Sum L.19 to L.36-L.26-L.27)**	895,441	860,190
38		7100	Other Operating Income and Expense		
39		7200	Operating Taxes	44,175	55,079
40			**Net Operating Income (L.17-L.37+L.38-L.39)**	(428,065)	(409,633)

^ Subaccount of the account marked with a *.

Average Rate Base - Total State

Year: 2003

Line No.	Acct. No. (a)	Description (b)	This Year (c)	Last Year (d)
1	2001	Telecommunications Plant in Service	2,763,524	2,667,046
2	3100	Accumulated Depreciation	1,779,282	1,626,136
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)**	984,242	1,040,910

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

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)**		

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

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: 2003

Line No.	Item Description (a)	Amount (b)	Amount (c)
1	**Increase/(decrease) in Cash & Cash Equivalents**		113,096
2	**Cash Flows from Operating Activities:**		
3	Net Income		114,918
4	Reconciliation Adjustments:		
5	Depreciation & Amortization	153,344	
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	(1,498)	
11	Change in Materials, Supplies & Inventories - Net	(712)	
12	Change in Operating Payables & Accrued Liabilities - Net	(5,589)	
13	Change in Other Assets & Deferred Credits - Net	9,301	
14	Change in Other Liabilities & Deferred Credits - Net		
15	Other (explained on back of this page) Subscriber deposits	1,980	
16	Total Adjustments		156,826
17	**Net Cash Provided by/(Used in) Operating Activities**		271,744
18	**Cash Inflows/Outflows From Investing Activities:**		
19	Construction/Acquisition of Property, Plant & Equipment (net of		(96,478)
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 this page) Investments		(50,670)
25	**Net Cash Provided by/(Used in) Investing Activities**		(147,148)
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		(11,500)
36	Other Financing Activities (explained on back of this page)		
37	**Net Cash Provided by Financing Activities**		(11,500)
38	**Effect of Exchange Rate Changes on Cash**		
39	**Net Increase/(Decrease) in Cash & Cash Equivalents**		113,096
40	**Cash & Cash Equivalents at Beginning of Period**		397,081
41	**Cash & Cash Equivalents at End of Period**		510,177

Company Name: Hot Springs Telephone Co.

SCHEDULE 10

DOES NOT APPLY

Receivables and Investments-Affiliated & Nonaffiliated Companies

Year: 2003

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											
2											
3											
4											
5											
6											
7											
8											
9											
10											
11											
12											
13											
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18											
19											
20											
21											
22											
23											
24											
25											
26											
27											
28											
29											
30	**Totals**										

Company Name: Hot Springs Telephone Co.

SCHEDULE 11

Net Plant in Regulated Service - Detail

Year:2003

Line No.		Account (a)	Description (b)	Beginning of Year Balance (c)	Additions (d)	Retirements (e)	Sales & Transfers (f)	End of Year Account 2003 Balance (g)	Year End Accumulated Depreciation (h)	End of Year Net Plant Balance (i)
1	*	2110	Land and Support Assets	731,401	58,576	-	-	789,977	466,925	323,052
2	^	2111	Land							-
3	^	2112	Motor Vehicles							-
4	^	2113	Aircraft							-
5	^	2114	Special Purpose Vehicles							-
6	^	2115	Garage Work Equipment							-
7	^	2116	Other Work Equipment							-
8	^	2121	Buildings							-
9	^	2122	Furniture							-
10	^	2123	Office Equipment							-
11	^	2124	General Purpose Computers							-
12		2211	Analog Electronic Switching							-
13		2212	Digital Electronic Switching	428,641	12,869			441,510	254,573	186,937
14		2215	Electro-Mechanical Switching					-		-
15		2220	Operator Systems					-		-
16		2231	Radio Systems	253,239	7,729			260,968	135,094	125,874
17		2232	Circuit Equipment	16,238				16,238	15,927	311
18	*	2310	Information Orig & Term Equip	100,647		-	-	100,647	73,485	27,162
19	^	2311	Station Apparatus					-		-
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	9,097				9,097	6,049	3,048
25	*	2420	Cable and Wire Facilities	1,127,783	15,440	-	-	1,143,223	827,120	316,103
26	^	2421	Aerial Cable							-
27	^	2422	Underground Cable							-
28	^	2423	Buried Cable							-
29	^	2424	Submarine Cable							-
30	^	2425	Deep Sea Cable							-
31	^	2426	Intrabuilding Network Cable							-
32		2431	Aerial Wire							-
33		2441	Conduit Systems		1,864			1,864	109	1,755
34			**Totals**	2,667,046	96,478	-	-	2,763,524	1,779,282	984,242

^ Subaccount of the account marked with a *.

Company Name: Hot Springs Telephone Co.

SCHEDULE 12

Analysis of Plant Held for Future Use

Year:2003

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							
2	NONE						
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	**Totals (Sum L.1 to L.29)**						

Company Name: Hot Springs Telephone Co.

SCHEDULE 13

Average Cost of Long Term Debt

Year:2003

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	Demand Note	Jun-94	Jan-04	75,000	-	-	-	75,000	-	6,000		8.00%
2	Demand Note	Jan-92	Jan-06	50,000	-	-	-	50,000	-	4,000		8.00%
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	**Total**			125,000	-	-		125,000		10,000		8.00%

Company Name: Hot Springs Telephone Co.

SCHEDULE 14

DOES NOT APPLY

Cost of Preferred Stock

Year:2003

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												
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
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18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30	**Totals (Sum L.1 to L.29)**											

Company Name: Hot Springs Telephone Co.

SCHEDULE 15

TOTAL COMPANY

Analysis of Common Stock

Year:2003

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:								
2									
3									
4									
5									
6									
7									
8	Month by Month Data:		NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES						
9	January								
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									

Capital Stock and Funded Debt Reacquired or Retired During the Year

Year:2003

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							
2	NONE						
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30	**Totals (Sum L.1 to L.29)**						

Company Name: Hot Springs Telephone Co.

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

Total Company Expense Matrix

Year:2003

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						
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: Hot Springs Telephone Co.

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

Total Company Expense Matrix

Year:2003

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						
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: Hot Springs Telephone Co.

SCHEDULE 18

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

Total State Expense Matrix

Year:2003

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						
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: Hot Springs Telephone Co.

NOT REQUIRED - WE HAVE LESS THAN 5,000 ACCESS LINES

Total State Expense Matrix

Year:2003

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						
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: Hot Springs Telephone Co.

Schedule 19

Pension Costs

Year: 2003

1	Plan Name Hot Springs Telephone Co. Profit Sharing Pension Plan			
2	Defined Benefit Plan? No	Defined Contribution Plan? No		
3	Actuarial Cost Method? N/A	IRS Code: 401		
4	Annual Contribution by Employer: Based on Profits	Is the Plan Over Funded? No		
5				
	Item	Current Year	Last Year	% Change
6	**Change in Benefit Obligation**			
7	Benefit obligation at beginning of year	686779.78	549133.94	25.07%
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	686779.78	549133.94	25.07%
16	**Change in Plan Assets**			
17	Fair value of plan assets at beginning of year	549,134	479,234	14.59%
18	Actual return on plan assets	75,322	7,784	867.64%
19	Acquisition			
20	Employer contribution	62,324	62,116	0.33%
21	Plan participants' contributions	-		
22	Benefits paid	-		
23	Fair value of plan assets at end of year	686,780	549,134	25.07%
24	**Funded Status**	N/A	N/A	
25	Unrecognized net actuarial loss			
26	Unrecognized prior service cost			
27	Prepaid (accrued) benefit cost			
28				
29	**Weighted-average Assumptions as of Year End**	N/A	N/A	
30	Discount rate			
31	Expected return on plan assets			
32	Rate of compensation increase			
33				
34	**Components of Net Periodic Benefit Costs**	N/A	N/A	
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:**	N/A	N/A	
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	10	9	10.00%
48	Not Covered by the Plan	4	6	50.00%
49	Active	10	9	10.00%
50	Retired	0	0	
51	Deferred Vested Terminated	0	0	

DOES NOT APPLY

Other Post Employment Benefits (OPEBS)

Year: 2003

	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			

DOES NOT APPLY

Other Post Employment Benefits (OPEBS) Continued

Year: 2003

	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			

Payments for Services to Persons Other Than Employees

Year: 2003

Line No.	Name of Recipient (a)	Nature of Service (b)	Total Company Cost (c)	Total State Cost (d)	Intrastate Cost (e)
1					
2	**NONE**				
3					
4					
5					
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43					
44					
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46					
47					
48					
49	**Total**				

Subscriber Line Usage Data

Year: 2003

Line No.	Description (a)	This Year (b)	% of Total (c)	Last Year (d)	% of Total (e)
1	Toll Usage:				
2	Interstate, InterLATA	2,571,003	21.18%	2,372,118	19.94%
3	Interstate, IntraLATA		0%	0	0%
4	**Total Interstate Usage**	2,571,003	21.18%	2,372,118	19.94%
5	Intrastate, InterLATA	176,883	1.46%	171,584	1.44%
6	Intrastate, IntraLATA	2,786,627	22.96%	2,825,024	23.75%
7	**Total Intrastate Usage**	2,963,510	24.41%	2,996,608	25.19%
8	**Total Toll Usage**	5,534,513	45.59%	5,368,726	45.14%
9	Centrex	0	0%	0	0%
10	Local	6,604,698	54.41%	6,525,856	54.86%
11	**Total Minutes**	12,139,211	100.00%	11,894,582	100.00%

Company Name: Hot Springs Telephone Co.

SCHEDULE 23
Page 1 of

Cental Office and Access Line Statistics

Year: 2003

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	*Urban*	*Digital*	*242*		*19*	*39*		*24*	*69*	*1*	*9*		*100.0%*	403
2	*Rural*	*Digital*	*352*		*15*	*16*		*14*	*18*	*0*	*3*		*100.0%*	418
3														
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31														
32														
33	**Total**		594		34	55		38	87	1	12			821

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

Company Name: Hot Springs Telephone Co.

SCHEDULE 24
Page 1 of

Central Office and Switch Information

Year: 2003

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	HOT SPRINGS	STAND ALONE	DIGITAL	SIEMENS	DCO-RNS-SE	1,080	1999
2							
3							
4							
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48							

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

Construction Budget - Montana

Year: 2004

Line No.	Description (a)	2004 (b)
1	**Central Office Assets:**	
2	Soft Switch Addition	250,000
3	Carrier Additions	15,000
4	Carrier Modifications	30,000
5		
6		
7		
8		
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26		
27	Total Switching and Central Office Projects over $500,000	
28	Miscellaneous Central Office Projects not over $500,000	295,000
29	**Total Central Office Budget (Total of Line 27 & Line 28)**	295,000
30	**Other Projects ~~over $500,000.~~**	
31		
32	Cable Additions	12,000
33	Poles	4,000
34	Economy Pickup	12,000
35	Office Equipment	4,000
36		
37		
38		
39		
40		
41	Total Other Projects ~~over $500,000~~	32,000
42	Miscellaneous projects not over $500,000	
43	**Total Construction Budget (Total of Lines 29, 41 & 42)**	327,000

Montana Employee Counts

Year: 2003

Line No.	Category (a)	Beginning of Year (b)	End of Year (c)
1	GENERAL MANAGER	1	1
2	OFFICE MANAGER	1	1
3	COE MAINTENANCE MANAGER & LINEMAN	1	1
4	PART TIME OFFICE CLERK	2	2
5	ACCOUNTANT & FINANCIAL MANAGER	1	1
6	ASSISTANT ACCOUNTANT & PAYROLL CLERK	1	1
7	INSTALLATIONS, LINEMEN & CONSTRUCTION WORKERS	3	3
8	INTERNET CONSULTANT	1	1
9			
10			
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42			
43	**Totals (Sum of Lines 1 through 42)**	11	11

Proprietary Confidential Information

Compensation of Top 10 Montana Based Employees

Year: 2003

Line No.	Name/Title (a)	Base Salary (b)	Bonuses (c)	Pension Plan Other Compensation (d)	Total Compensation (e)	Total Compensation Last Year (f)	% Increase Total Compensation (g)
	GENERAL MANAGER						
	OFFICE MANAGER						
	ACCOUNTANT & FINANCIAL MGR						
	ASSIST. ACCOUNT. & PAYROLL MGR						
	COE MANAGER & LINEMAN						
	INSTALLATION, LINEMAN & CONST.						
	OFFICE CLERK						
	INSTALLER, LINE-MAN & CONST.						
	INSTALLER, LINE-MAN & CONST.						
	INTERNET WORKER						

Company Name: Hot Springs Telephone Co.

SCHEDULE 28

DOES NOT APPLY

Year: 2003

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							
2							
3							
4							
5							
6	**Totals (Sum L.1 to L.5)**						

Montana Composite Statistics

Year: 2003

Line No.	Account No.	Description (a)	Amount (b)
1		**Plant (Intrastate Only) (000 Omitted)**	
2	2001	Plant in Service	2,767
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	(1,779)
9	4360.2	Contributions in Aid of Construction	(4)
10		**NET BOOK COSTS**	984
11		**Revenues & Expenses (Intrastate Only) (000 Omitted)**	
12	5000 - 5300	Operating Revenues	512
13	6560	Depreciation & Amortization Expenses	153
14		Federal & State Income Taxes	13
15		Other Taxes	44
16		Other Operating Expenses	742
17		TOTAL Operating Expenses	952
18		Net Operating Income	(440)
19		Other Income	789
20		Other Deductions	234
21		**NET INCOME**	115
22		**Access Lines in Service (Intrastate Only)**	
23		Residential Access Lines	667
24		Business Access Lines	141
25		PBX Access Lines	
26		Other Access Lines	13
27		**Total Number of Access Lines**	821
28		**Average Number of Calls Per Access Line**	
29		Local Calls	1,341
30		Toll Calls (Intra- or Interstate)	1,124
31		**Total Number of Calls Per Access Line (Total of Line 29 & Line 30)**	2,465
32		**Other Statistics (Intrastate Only)**	
33		Average Residential Monthly Bill	38
34		Gross Plant Investment per Access Line	3,366

Depreciation - Montana Intrastate Regulated

Year: 2003

Line No.	Acct No. (a)	Description (b)	Composite Rate % (c)	Total Expense $ (d)
1	2112	Motor Vehicles	20.0%	11,744
2	2114	Special Purpose Vehicles		
3	2115	Garage Work Equipment		
4	2116	Other work Equipment	20.0%	4,102
5	2121	Buildings	5.0%	11,293
6	2122	Furniture	20.0%	611
7	2123.1	Office Support Equipment		
8	2123.2	Company Communications Equipment		
9	2124	General Purpose Computers	20.0%	3,390
10	2211	Analog Electronic Switching Equipment		
11	2212	Digital Electronic Switching Equipment	10.0%	39,614
12	2215	Step By Step Switching Equipment		
13	2215	Crossbar Switching Equipment		
14	2220	Operator System		
15	2231	Radio Systems	10.0%	23,224
16	2232	Circuit DDS		
17	2232	Circuit Digital		
18	2232	Circuit Analog	10.0%	393
19	2351	Public Telephone Terminating Equipment		
20	2362	Other Terminal Equipment	10.0%	6,343
21	2411	Poles		
22	2421	Aerial Cable Metallic	10.0%	9,265
23	2421	Aerial Cable Nonmetallic		
24	2422	Underground Cable Metallic		
25	2422	Underground Cable Nonmetallic		
26	2423	Buried Cable Metallic	5.0%	35,497
27	2423	Buried Cable Nonmetallic	5.0%	7,559
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		
33	2441	Conduit Systems	10.0%	109
34				153,144
35		**COMPOSITE TOTAL**	5.64%	

36
37 Have these rates been approved by the Commission? _____YES ___X__ NO
38
39 If yes: _____ Docket Number _____ Order Number
40

Company Name: Hot Springs Telephone Co.

SCHEDULE 31

Montana Regulatory Capital Structure & Costs

Year: 2003

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	91.34%	12.500%	11.418%
13	Preferred Stock			
14	Long Term Debt	8.66%	9.000%	0.779%
15	Other			
16	**Total**	100.00%		12.197%

N/A

Company Name: Hot Springs Telephone Co.

SCHEDULE 32

Network Access - Charges and Revenues

Year: 2003

Line No.	Description (a)	Access Charges Paid (b)	Access Revenues Received (c)
1	Montana - Total State		414,355
2			
3	Montana - Intrastate		3,739
4			
5	Montana - Intrastate Regulated		304,388
6			
7			
8			
9			
10			
11			
12			
13			

Company Name: Hot Springs Telephone Co.

SCHEDULE 33

DOES NOT APPLY

Affiliate Transactions - Products & Services Provided to Utility

Year: 2003

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						
2						
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27						
28						
29						
30	TOTAL					

Company Name: Hot Springs Telephone Co.

SCHEDULE 34

DOES NOT APPLY

Affiliate Transactions - Products & Services Provided by Utility

Year: 2003

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						
2						
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29						
30	TOTAL					

Montana Intrastate Regulated Earned Rate of Return

Year: 2003

Line No.	Description Rate Base (a)		This Year (b)	Last Year (c)	Percent Change (d)
1					
2	2001	Plant in Service	2,763,524	2,667,046	3.62%
3	2002	Prop. Held for Future Telecommunications Use			
4	3100-3200	(Less) Accumulated Depreciation	(1,779,282)	(1,626,136)	-9.42%
5		**Plant in Service**	984,242	1,040,910	-5.44%
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**	984,242	1,040,910	-5.44%
21					
22		**Net Earnings**	109,636	120,614	-9.10%
23					
24	**Rate of Return on Average Rate Base**		11.139%	11.587%	-3.87%
25					
26	**Rate of Return on Average Equity**		8.050%	10.545%	-23.66%
27					
28	Major Normalizing Adjustments & Commission				
29	Ratemaking adjustments to Utility Operations				
30					
31		N/A			
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**				

Company Name: Hot Springs Telephone Co.

SCHEDULE 36

Other Taxes Paid

Year: 2003

Line No.	Description (a)	Last Year (b)	This Year (c)
1	Montana Telephone Company License Tax		
2	Montana Public Service Commission Tax	1,006	1,146
3	Montana Consumer Counsel Tax	366	454
4	911 Emergency Telephone Fee	4,765	4,856
5	Montana Telecommunications Access Service (TDD)	945	965
6	Montana Corporate License Tax	6,246	4,190
7	Personal Property Tax	2,527	2,695
8	Real Property Tax	13,266	15,270
9	Montana State Excise Tax	13,569	13,082
10			
11			
12	**Total**	42,690	42,658

Company Name: Hot Springs Telephone Co.

SCHEDULE 37

Universal Service Funds Received

Year: 2003

Line No.	Description (a)	Last Year (b)	This Year (c)
13	Funds received from Montana Sources	-0-	-0-
14	Funds received from Federal Sources	176,721	222,926
15			
16			
17			
18			
19			
20			
21			
22			
23			
24	**Total**	176,721	222,926