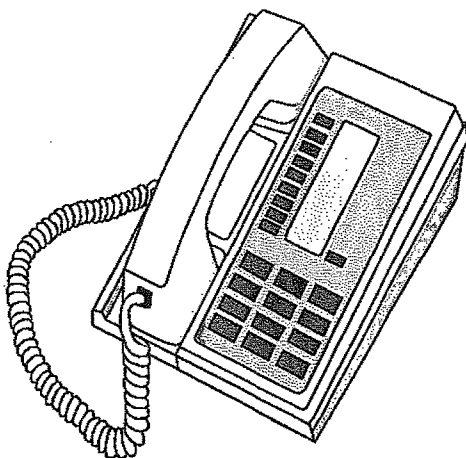


YEAR ENDING 2011

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

General Information

Year: 2011

| | | |
|--------------------------------|--|---|
| 1 | Legal Name of Respondent: | Southern Montana Telephone Company |
| 2 | Name Under Which Respondent Does Business: | SAME |
| 3 | Date of Incorporation: | |
| 4 | Address to send Correspondence Concerning Report: | P.O. Box 205 Wisdom MT |
| 5 | Person Responsible for This Report: | Richard Knight Acct./Office 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 P.O. Box 205 Wisdom, MT 59761 Owner and President | 9000 |
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| 18 | Chairman of the Board: Robert G. Helming | |
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Officers

Year: 2011

| 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 | | | |
| 5 | Secretary/Vice-President | All Departments | Larry B. Mason |
| 6 | | | Wisdom, MT 59761 |
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Total Company Balance Sheet

Year: 2011

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|---|---------------------------------|---------------|
| 1 | | CURRENT ASSETS: | See Attached Audited Financials | |
| 2 | 1120 | Cash and Equivalents | | |
| 3 | 1180 | Telecommunications Accounts Receivable - Net | | |
| 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: 2011

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|---|---------------|---------------|
| 41 | | CURRENT LIABILITIES: | | |
| 42 | 4010 | Accounts Payable | | |
| 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: 2011

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|---------------------------------|---------------|
| 1 | | REVENUES: | See Attached Audited Financials | |
| 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) | | |
| 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) | | |

^ Subaccount of the account marked with a *.

Montana Total State Income Statement

Year: 2011

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|---------------------------------|---------------|
| 1 | | REVENUES: | See Attached Audited Financials | |
| 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 *.

Montana Intrastate Income Statement

Year: 2011

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|---------------------------------|---------------|
| 1 | | REVENUES: | See Attached Audited Financials | |
| 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 *.

Montana Intrastate Regulated Income Statement

Year: 2011

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|---------------------------------|---------------|
| 1 | | REVENUES: | See Attached Audited Financials | |
| 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 *.

Average Rate Base - Total State

Year: 2011

| Line No. | Acct. No. (a) | Description (b) | This Year (c) | Last Year (d) |
|----------|---------------|--|---------------|---------------|
| 1 | 2001 | Telecommunications Plant in Service | 23034898 | 19417901 |
| 2 | 3100 | Accumulated Depreciation | 8410896 | 8075658 |
| 3 | 2002 | Property Held for Future Telecommunications Use | | |
| 4 | 3200 | Accumulated Depreciation - 2002 | | |
| 5 | 1220 | Materials and Supplies | 123949 | 124820 |
| 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) | 14747951 | 11467063 |

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 | 23034898 | 19417901 |
| 2 | 3100 | Accumulated Depreciation | 8410896 | 8075658 |
| 3 | 2002 | Property Held for Future Telecommunications Use | | |
| 4 | 3200 | Accumulated Depreciation - 2002 | | |
| 5 | 1220 | Materials and Supplies | 123949 | 124820 |
| 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) | 14747951 | 11467063 |

Statement of Cash Flows

Year: 2011

| 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 | See ATTACHED STATEMENT OF CASH FLOWS | |
| 4 | Reconciliation Adjustments: | | |
| 5 | Depreciation & Amortization | | |
| 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 | | |

Receivables and Investments-Affiliated & Nonaffiliated Companies

Year: 2011

| 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 | Telecom Customers | | 69595 | | 327911 | | | | | | |
| 2 | VisionNet Investment | | | | | | | | | | 279861 |
| 3 | Various Other Investments | | | | | | | | | | 34776 |
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| 29 | | | | | | | | | | | |
| 30 | Totals | | 69595 | | 327911 | | | | | | 314637 |

Net Plant in Service - Detail

Year:2011

| 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 | 1528217 | 45544 | 35808 | | 1537953 | | 1537953 |
| 2 | ^ | 2111 Land | 38451 | | | | 38451 | | 38451 |
| 3 | ^ | 2112 Motor Vehicles | 313516 | 42550 | 35808 | | 320258 | 320258 | |
| 4 | ^ | 2113 Aircraft | | | | | | | |
| 5 | ^ | 2114 Special Purpose Vehicles | | | | | | | |
| 6 | ^ | 2115 Garage Work Equipment | | | | | | | |
| 7 | ^ | 2116 Other Work Equipment | 457279 | | | | 457279 | 457279 | |
| 8 | ^ | 2121 Buildings | 657630 | | | | 657630 | 523557 | 134073 |
| 9 | ^ | 2122 Furniture | 39694 | | | | 39694 | 39694 | |
| 10 | ^ | 2123 Office Equipment | | | | | | | |
| 11 | ^ | 2124 General Purpose Computers | 21647 | 2994 | | | 24641 | 14653 | 9988 |
| 12 | | 2211 Analog Electronic Switching | | | | | | | |
| 13 | | 2212 Digital Electronic Switching | 1717335 | | 858976 | | 858359 | 593244 | 265115 |
| 14 | | 2215 Electro-Mechanical Switching | | | | | | | |
| 15 | | 2220 Operator Systems | | | | | | | |
| 16 | | 2231 Radio Systems | | | | | | | |
| 17 | | 2232 Circuit Equipment | 2301612 | 1118033 | 15028 | | 3404617 | 1147138 | 2257479 |
| 18 | * | 2310 Information Orig & Term Equip | 18527 | | | | 18527 | 18527 | |
| 19 | ^ | 2311 Station Apparatus | 18527 | | | | 18527 | 18527 | |
| 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 | 13502180 | 3538274 | | | 17040454 | 5281877 | 11758577 |
| 26 | ^ | 2421 Aerial Cable | 33375 | | | | 33375 | 27723 | 5652 |
| 27 | ^ | 2422 Underground Cable | | | | | | | |
| 28 | ^ | 2423 Buried Cable | 13468805 | 3538274 | | | 17007079 | 5254154 | 11752925 |
| 29 | ^ | 2424 Submarine Cable | | | | | | | |
| 30 | ^ | 2425 Deep Sea Cable | | | | | | | |
| 31 | ^ | 2426 Intrabuilding Network Cable | | | | | | | |
| 32 | | 2431 Aerial Wire | | | | | | | |
| 33 | | 2441 Conduit Systems | | | | | | | |
| 34 | | Totals | 19067871 | 4701851 | 909812 | | 22859910 | 8396227 | 14463683 |

^ Subaccount of the account marked with a *.

Company Name: Southern Montana Telephone Company

SCHEDULE 12

Analysis of Plant Held for Future Use

Year:2011

| 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 | | | | | | | |
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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:2011

| 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 | Rural Utilities Service | Various | Various | | | | | 11150379 | | 997030 | | 3.47% |
| 2 | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | |
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| 27 | | | | | | | | | | | | |
| 28 | | | | | | | | | | | | |
| 29 | | | | | | | | | | | | |
| 30 | Total | | | | | | | 11150379 | | 997030 | | 8.94% |

Cost of Preferred Stock

Year: 2011

| 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 | Not Applicable | | | | | | | | | | | |
| 2 | | | | | | | | | | | | |
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| 27 | | | | | | | | | | | | |
| 28 | | | | | | | | | | | | |
| 29 | | | | | | | | | | | | |
| 30 | Totals (Sum L.1 to L.29) | | | | | | | | | | | |

Analysis of Common Stock

Year:2011

| 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 | | Price/Earnings Ratio (i) |
|----------|---|--|-------------------------------|-----------------------------|------------------------------|------------------------|--------------|------------|-----------------------------|
| | | | | | | | High (g) | Low (h) | |
| 1 | Year Ended December 31: | | | | | | | | |
| 2 | | | | | | | | | |
| 3 | | | | | | | | | |
| 4 | | | | | | | | | |
| 5 | Privately Held Stock--Not Publically Traded | | | | | | | | |
| 6 | | | | | | | | | |
| 7 | Not Applicable-Under 5000 Access Lines | | | | | | | | |
| 8 | Month by Month Data: | | | | | | | | |
| 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 | | | | | | | | | |

Total Company Expense Matrix

Year:2011

| 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 | NOT APPLICABLE-- Under 5000 Access Lines | | | | | |
| 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 *.

Total Company Expense Matrix

| 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 *.

Total State Expense Matrix

| 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 | NOT APPLICABLE-- Under 5000 Access Lines | | | | | |
| 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 | #VALUE! | | | | | #VALUE! |

^ Subaccount of the account marked with a *.

Total State Expense Matrix

| 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 | #VALUE! | | | | #VALUE! |

^ Subaccount of the account marked with a *.

Capital Stock and Funded Debt Reacquired or Retired During the Year

Year:2011

| Line No. | Description of Security (a) | Call or Retirement Date (b) | Number of Shares (c) | Principal Amount (d) | Reacquisition or Retirement Cost (e) | Gain or (Loss) (f) | Retirement or Reacquisition (g) |
|----------|--------------------------------|--------------------------------|-------------------------|-------------------------|---|-----------------------|------------------------------------|
| 1 | NONE | | | | | | |
| 2 | | | | | | | |
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| 27 | | | | | | | |
| 28 | | | | | | | |
| 29 | | | | | | | |
| 30 | Totals (Sum L.1 to L.29) | | | | | | |

Pension Costs

Year: 2011

| | | | | |
|----|--|----------------------------------|-----------|----------|
| 1 | Plan Name National Telephone Cooperative | | | |
| 2 | Defined Benefit Plan? _YES | Defined Contribution Plan? _____ | | |
| 3 | Actuarial Cost Method? _____ | IRS Code: _____ | | |
| 4 | Annual Contribution by Employer: _\$ 126,043 | 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 | | | |
| 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 | | | |
| 48 | Not Covered by the Plan | | | |
| 49 | Active | | | |
| 50 | Retired | | | |
| 51 | Deferred Vested Terminated | | | |

Other Post Employment Benefits (OPEBS)

| | Item | Current Year | Last Year | % Change |
|----|--|----------------|-----------|----------|
| 1 | Regulatory Treatment: | NOT APPLICABLE | | |
| 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: 2011

| | 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: 2011

| Line No. | Name of Recipient (a) | Nature of Service (b) | Total Company Cost (c) | Total State Cost (d) | Intrastate Cost (e) |
|----------|---|--------------------------|---------------------------|-------------------------|------------------------|
| 1 | NOT APPLICABLE--Under 5000 Access Lines | | | | |
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| 47 | | | | | |
| 48 | | | | | |
| 49 | Total | | | | |

Subscriber Line Usage Data

Year: 2011

| Line No. | Description (a) | This Year (b) | % of Total (c) | Last Year (d) | % of Total (e) |
|----------|-------------------------------|---------------|----------------|---------------|----------------|
| 1 | Toll Usage: | | | | |
| 2 | Interstate, InterLATA | 2849163 | 55.16% | 3041813 | 55.84% |
| 3 | Interstate, IntraLATA | | | 10 | 0.00% |
| 4 | Total Interstate Usage | 2849163 | 55.16% | 3041823 | 55.84% |
| 5 | Intrastate, InterLATA | 337742 | 6.54% | 358999 | 6.59% |
| 6 | Intrastate, IntraLATA | 1978501 | 38.30% | 2046646 | 37.57% |
| 7 | Total Intrastate Usage | 2316243 | 44.84% | 2405645 | 44.16% |
| 8 | Total Toll Usage | 5165406 | 100.00% | 5447468 | 100.00% |
| 9 | Centrex | | | | |
| 10 | Local | | | | |
| 11 | Total Minutes | 5165406 | 100.00% | 5447468 | 100.00% |

Company Name: Southern Montana Telephone Company

SCHEDULE 23

Page 1 of

Central Office and Access Line Statistics

Year: 2011

| 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 | Wisdom | Digital | 141 | | 106 | 1 | | 57 | 15 | | 1 | | 100.0% | 320 |
| 2 | Jackson | Digital | 211 | | 132 | | | 73 | | | 2 | | 100.0% | 418 |
| 3 | Wise River | Digital | 219 | | 121 | 1 | | 48 | 12 | | 1 | | 100.0% | 401 |
| 4 | Divide | Digital | 72 | | 58 | | | 18 | | | 1 | | 100.0% | 149 |
| 5 | Grant | Digital | 71 | | 29 | 1 | | 15 | | | 1 | | 100.0% | 116 |
| 6 | | | | | | | | | | | | | | |
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| 32 | | | | | | | | | | | | | | |
| 33 | Total | | 714 | | 446 | 3 | | 211 | 27 | | 6 | | 5 | 1404 |

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

Central Office and Switch Information

| 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 | WISDOM | HOST | Digital | Nortel | CS1500 | 5,000 | 2011 |
| 2 | WISE RIVER | Remote | Digital | Nortel | RSLE | 512 | 1983 |
| 3 | DIVIDE | Remote | Digital | Nortel | RSLE | 512 | 1990 |
| 4 | SQUAW CREEK | Remote | Digital | Nortel | RSLE | 512 | 1983 |
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Construction Budget - Montana

Year: 2012

| Line No. | Description (a) | 2012 (b) |
|----------|---|----------------|
| 1 | Central Office Assets: | |
| 2 | | |
| 3 | | |
| 4 | | |
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| 26 | | |
| 27 | Total Switching and Central Office Projects over \$500,000 | |
| 28 | Miscellaneous Central Office Projects not over \$500,000 | 339000 |
| 29 | Total Central Office Budget (Total of Line 27 & Line 28) | 339000 |
| 30 | Other Projects over \$500,000: | |
| 31 | | |
| 32 | Fiber Optic Placement-Fiber to the Premise | 1190000 |
| 33 | | |
| 34 | | |
| 35 | | |
| 36 | | |
| 37 | | |
| 38 | | |
| 39 | | |
| 40 | | |
| 41 | Total Other Projects over \$500,000 | 1190000 |
| 42 | Miscellaneous projects not over \$500,000 | |
| 43 | Total Construction Budget (Total of Lines 29, 41 & 42) | 1529000 |

Montana Total State Construction Expenditures

| Line No. | FCC Part 32 Account No. (a) | Description (b) | This Year (c) | Last Year (d) | Percent Change (e) |
|-----------------|------------------------------------|--|----------------------|----------------------|---------------------------|
| 1 | 2110 | General Support Assets | 101325 | 158787 | -36.19% |
| 2 | 2210 | Central Office Assets | | | |
| 3 | 2220 | Operator Systems | | | |
| 4 | 2230 | Central Office Transmission | 339000 | 477813 | -29.05% |
| 5 | 2310 | Information/Termination Assets | | | |
| 6 | 2410 | Cable and Wire Facilities Assets | 1190000 | 2226325 | -46.55% |
| 7 | 2680 | Amortizable Tangible Assets | | | |
| 8 | 2690 | Intangibles | | | |
| 9 | | Total Construction Expenditures | 1630325 | 2862925 | -43.05% |

Montana Employee Counts

Year: 2011

| Line No. | Category (a) | Beginning of Year (b) | End of Year (c) |
|----------|---|-----------------------------|-----------------------|
| 1 | Executive | 2 | 2 |
| 2 | Office | 3 | 3 |
| 3 | Outside Plant--COE | 3 | 3 |
| 4 | Janitorial | | 0.5 |
| 5 | | | |
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| 39 | | | |
| 40 | | | |
| 41 | | | |
| 42 | | | |
| 43 | Totals (Sum of Lines 1 through 42) | 8 | 8.5 |

Compensation of Top 10 Montana Based Employees

Year: 2011

| 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 | | | | | | | |
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| 9 | | | | | | | |
| 10 | | | | | | | |
| 11 | Totals (Sum L.1 to L.10) | | | | | | |

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 | NOT APPLICABLE | | | | | | |
| 2 | | | | | | | |
| 3 | | | | | | | |
| 4 | | | | | | | |
| 5 | | | | | | | |
| 6 | Totals (Sum L.1 to L.5) | | | | | | |

Montana Composite Statistics

Year: 2011

| 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 divided by Line 27) | |
| 32 | | Other Statistics (Intrastate Only) | |
| 33 | | Average Residential Monthly Bill | |
| 34 | | Gross Plant Investment per Access Line | |

Depreciation - Montana Intrastate Regulated

Year: 2011

| Line No. | Acct No. (a) | Description (b) | Composite Rate % (c) | Total Expense \$ (d) |
|----------|--|---|----------------------------|----------------------------|
| 1 | 2112 | Motor Vehicles | 33.0% | 59,361 |
| 2 | 2114 | Special Purpose Vehicles | | |
| 3 | 2115 | Garage Work Equipment | | |
| 4 | 2116 | Other work Equipment | 13.4% | |
| 5 | 2121 | Buildings | 4.2% | 27,620 |
| 6 | 2122 | Furniture | | |
| 7 | 2123.1 | Office Support Equipment | 11.7% | 4,643 |
| 8 | 2123.2 | Company Communications Equipment | 9.3% | |
| 9 | 2124 | General Purpose Computers | 20.0% | 4,586 |
| 10 | 2211 | Analog Electronic Switching Equipment | | |
| 11 | 2212 | Digital Electronic Switching Equipment | 10.0% | 362,759 |
| 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 | | |
| 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% | 315,799 |
| 27 | 2423 | Buried Cable Nonmetallic | 5.0% | 421,264 |
| 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% | 1,669 |
| 33 | 2441 | Conduit Systems | | |
| 34 | | | | |
| 35 | | COMPOSITE TOTAL | | |
| 36 | Please list the Montana Public Service Commission Docket Order No. approving these depreciation rates Docket Number _____ Order Number _____ | | | |
| 37 | | | | |
| 38 | | | | |
| 39 | | | | |
| 40 | | | | |

Amortization - Montana Intrastate Regulated

Year: 2011

| Line No. | Acct No. (a) | Description (b) | Composite Rate % (c) | Total Expense \$ (d) |
|-------------|--|------------------------------------|-------------------------------|-------------------------------|
| 1 | | | | |
| 2 | 3410 | Amortize 3 Rivers IRU 20 year life | 5.0% | 8,750 |
| 3 | | | | |
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| 32 | | | | |
| 33 | | | | |
| 34 | | | | |
| 35 | | COMPOSITE TOTAL | | |
| 36 | Please list the Montana Public Service Commission Docket Order No. approving these amortization rates Docket Number _____ Order Number _____ | | | |
| 37 | | | | |
| 38 | | | | |
| 39 | | | | |
| 40 | | | | |

Montana Regulatory Capital Structure & Costs

Year: 2011

| 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 | | | |

Network Access - Charges and Revenues

Year: 2011

| Line No. | Description (a) | Access Charges Paid (b) | Access Revenues Received (c) |
|----------|--------------------------------|-------------------------|------------------------------|
| 1 | Montana - Total State | | 315981 |
| 2 | | | |
| 3 | Montana - Intrastate | | 315981 |
| 4 | | | |
| 5 | Montana - Intrastate Regulated | | |
| 6 | | | |
| 7 | | | |
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Affiliate Transactions - Products & Services Provided to Utility

Year: 2011

| 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- | Varies | | | 69,848 |
| 2 | | Accounting support | | | | |
| 3 | | Custoemer Billing, Plant, Software | | | | |
| 4 | | Support | | | | |
| 5 | | CABS Billing | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | GVNW, Inc. | Management Consultantx | Hourly Rate | | | 85,711 |
| 9 | | Cost Studies | | | | |
| 10 | | Seperations | | | | |
| 11 | | | | | | |
| 12 | | | | | | |
| 13 | AKT, LLP | Audit, Management Consultants | Hourly rate | | | 43,644 |
| 14 | | | | | | |
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| 27 | | | | | | |
| 28 | | | | | | |
| 29 | | | | | | |
| 30 | TOTAL | | | | | \$199,203 |

Affiliate Transactions - Products & Services Provided by Utility

Year: 2011

| 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 | NOT APPLICABLE | | | | | |
| 2 | | | | | | |
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| 29 | | | | | | |
| 30 | TOTAL | | | | | |

Montana Intrastate Regulated Earned Rate of Return

Year: 2011

| Line No. | Description Rate Base (a) | This Year (b) | Last Year (c) | Percent Change (d) |
|----------|---|------------------|------------------|-----------------------|
| 1 | | | | |
| 2 | 2001 Plant in Service | 23,034,898 | 19,417,901 | 18.63% |
| 3 | 2002 Prop. Held for Future Telecommunications Use | 52,191 | 228,147 | -77.12% |
| 4 | 3100-3200 (Less) Accumulated Depreciation | (8,410,896) | (8,075,658) | -4.15% |
| 5 | Plant in Service | 14,676,193 | 11,570,390 | 26.84% |
| 6 | | | | |
| 7 | Additions | | | |
| 8 | 1220 Materials & Supplies | 123,949 | 124,820 | -0.70% |
| 9 | 1280 Prepayments | 41,315 | | |
| 10 | Other Additions | | | |
| 11 | TOTAL Additions | 165,264 | 124,820 | 32.40% |
| 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 | 14,841,457 | 11,695,210 | 26.90% |
| 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 | <u>Ratemaking adjustments to Utility Operations</u> | | | |
| 30 | | | | |
| 31 | | | | |
| 32 | | | | |
| 33 | | | | |
| 34 | | | | |
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| 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: 2011

| Line No. | Description (a) | Last Year (b) | This Year (c) |
|----------|---|---------------|---------------|
| 1 | Montana Telephone Company License Tax | | |
| 2 | Montana Public Service Commission Tax | 1293 | 1779 |
| 3 | Montana Consumer Counsel Tax | 154 | 547 |
| 4 | 911 Emergency Telephone Fee | 11394 | 11273 |
| 5 | Montana Telecommunications Access Service (TDD) | 1140 | 1127 |
| 6 | Montana Corporate License Tax | | |
| 7 | Personal Property Tax | | |
| 8 | Real Property Tax | 103656 | 116108 |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | Total | 117637 | 130834 |

SCHEDULE 37

Universal Service Funds Received

Year: 2011

| Line No. | Description (a) | Last Year (b) | This Year (c) |
|----------|-------------------------------------|---------------|---------------|
| 13 | Funds received from Montana Sources | | |
| 14 | Funds received from Federal Sources | 1486646 | 2633655 |
| 15 | | | |
| 16 | | | |
| 17 | | | |
| 18 | | | |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |
| 23 | | | |
| 24 | Total | 1486646 | 2633655 |