

ANNUAL REPORTING FOR ALL CARRIERS	
Report Year	2014
Report Period	12/1/13 - 11/30/14

<010> Study Area Code	300594
<015> Study Area Name	THE CHAMPAIGN TEL CO
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Judy Christiansen
<035> Contact Telephone Number: Number of the person identified in data line <030>	402-398-0062
<039> Contact Email Address: Email of the person identified in data line <030>	jchristiansen@consortiaconsulting.com

ANNUAL REPORTING FOR ALL CARRIERS	
Report Year	2014
Report Period	12/1/13 - 11/30/14

<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input type="checkbox"/> <-- check box if no outages to report			
<300> Unfulfilled Service Requests (voice)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<310> Detail on Attempts (voice)	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)		<input type="checkbox"/>	<input type="checkbox"/>
<330> Detail on Attempts (broadband)	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	<input type="text" value="0.2"/>		
<420> Mobile	<input type="text" value="0.0"/>		
<430> Number of Complaints per 1,000 customers (broadband)		<input type="checkbox"/>	<input type="checkbox"/>
<440> Fixed	<input type="text"/>		
<450> Mobile	<input type="text"/>		
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> <input type="text" value="300594oh510"/>	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> <input type="text" value="300594oh610"/>	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input type="radio"/> <input checked="" type="radio"/>	(if yes, complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<1000> Voice Services Rate Comparability	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<1010> <input type="text"/>	(attach descriptive document)	<input type="checkbox"/>	<input type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<1110>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<2005>	(complete attached worksheet)	<input type="checkbox"/>	<input type="checkbox"/>

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	(check to indicate certification)	<input type="checkbox"/>	<input type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**(100) Service Quality Improvement Reporting
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com
<110>	Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
<111>	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

- <112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

- <113> Maps detailing progress towards meeting plan targets
- <114> Report how much universal service (USF) support was received
- <115> How (USF) was used to improve service quality
- <116> How (USF) was used to improve service coverage
- <117> How (USF) was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.

<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>

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[illegible]

<701>	Residential Local Service Charge Effective Date	1/1/2013
<702>	Single State-wide Residential Local Service Charge	

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[illegible]

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<039>	Contact Email Address - Email Address of person identified in data line <030>	jchristiansen@consortiaconsulting.com
<810>	Reporting Carrier	The Champaign Telephone Company
<811>	Holding Company	
<812>	Operating Company	

[illegible]



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<910> Tribal Land(s) on which ETC Serves

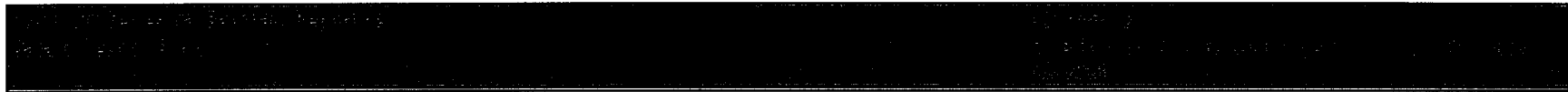
<920> Tribal Government Engagement Obligation

Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select (Yes,No, NA)



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<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G) ☐

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G) ☐



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<1210> Terms & Conditions of Voice Telephony Lifeline Plans 300594oh1210

Name of attached document (.pdf)

<1220> Link to Public Website HTTP

“Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒

<1222> Details on the number of minutes provided as part of the plan, ☒

<1223> Additional charges for toll calls, and rates for each such plan. ☒

2020 Price Cap Carrier Receiving Frozen Support Certification	YES <input type="checkbox"/> NO <input type="checkbox"/>
Price Cap Carrier Receiving Frozen Support Certification	YES <input type="checkbox"/> NO <input type="checkbox"/>
Incremental Connect America Phase I Reporting	YES <input type="checkbox"/> NO <input type="checkbox"/>

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CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting

- <2010> 2nd Year Certification {47 CFR § 54.313(b)(1)} ☐
- <2011> 3rd Year Certification {47 CFR § 54.313(b)(2)} ☐

Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}

- <2012> 2013 Frozen Support Certification ☐
- <2013> 2014 Frozen Support Certification ☐
- <2014> 2015 Frozen Support Certification ☐
- <2015> 2016 and future Frozen Support Certification ☐

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

- <2016> Certification Support Used to Build Broadband ☐

Connect America Phase II Reporting {47 CFR § 54.313(e)}

- <2017> 3rd year Broadband Service Certification ☐
- <2018> 5th year Broadband Service Certification ☐
- <2019> Interim Progress Certification ☐
- <2020> Please check the box to confirm that the attached PDF, on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year. ☐
- <2021> Interim Progress Community Anchor Institutions ☐

Name of Attached Document Listing Required Information

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CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

Progress Report on 5 Year Plan

(3010)	Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF , on line 3012,	Name of Attached Document Listing Required Information	<input type="checkbox"/>
(3011)	contains the required information pursuant to § 54.313 (f)(1)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.		
(3012)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(iii))	Name of Attached Document Listing Required Information	<input checked="" type="checkbox"/> (Yes/No)
(3013)	Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))		<input type="checkbox"/> (Yes/No)
(3014)	If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:		<input type="checkbox"/>
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	<input checked="" type="checkbox"/> (Yes/No)
(3018)	If the response is no on line 3014, Is your company audited? If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains :		<input checked="" type="checkbox"/>
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications		<input checked="" type="checkbox"/>
(3020)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter issued by the independent certified public accountant that performed the company's financial audit. If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:		<input type="checkbox"/>
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	PDF of Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	300594oh3026



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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Reporting Carrier Code	300594
Reporting Carrier Name	THE CHAMPAIGN TEL CO
Reporting Carrier Address	
Reporting Carrier City	
Reporting Carrier State	
Reporting Carrier Zip	

<010> Study Area Code	300594
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TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>Judy Christiansen</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	Judy Christiansen
Name of Reporting Carrier:	THE CHAMPAIGN TEL CO
Signature of Authorized Officer:	CERTIFIED ONLINE Date: 09/23/2013
Printed name of Authorized Officer:	Tiffany Kuivinen
Title or position of Authorized Officer:	CFO
Telephone number of Authorized Officer:	937-653-2263
Study Area Code of Reporting Carrier:	300594 Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	THE CHAMPAIGN TEL CO
Name of Authorized Agent or Employee of Agent:	Judy Christiansen
Signature of Authorized Agent or Employee of Agent:	CERTIFIED ONLINE Date: 09/23/2013
Printed name of Authorized Agent or Employee of Agent:	Judy Christiansen
Title or position of Authorized Agent or Employee of Agent:	Consultant
Telephone number of Authorized Agent or Employee of Agent:	402-398-0062
Study Area Code of Reporting Carrier:	300594 Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

Data Collection Form

OMB Control No. 3060-0985/OMB Control No. 3060-0819

[illegible]

<220>

NOPS							911		Did This Outage
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The Champaign Telephone Company
Certification of Compliance with Applicable Service Quality Standards and Consumer Protection Rules

Service Quality Standards

The Company:

- Provides voice grade access to the public switched network.
- Provides flat rated local exchange service with no additional charge to end users.
- Provides access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911.
- Provides toll blocking and toll limitation services.
- Advertises the availability of its services and the charges using media of general distribution and on its website.
- Maintains a business office providing customers with access to a customer service representative either in person or via a local telephone call or toll-free telephone number during normal business hours.
- Directs after hour calls to the Company's help desk.
- Directs trouble reports to the on-call technician.
- Tracks all service orders to ensure they are completed in a timely manner.
- Measures its service connection and service interruption performance on a regular basis.
- Trains employees to:
 - Answer all incoming calls promptly.
 - Respond to all inquiries for information promptly and courteously.
 - Investigate thoroughly all customer complaints and handle appropriately according to the Company's guidelines for resolution of customer complaints.
 - Be knowledgeable about products and service offerings so they can assist the customer with selecting the best service option.
- Has a process for periodic inspection, testing and preventive maintenance of its equipment to permit the rendering of safe, adequate and continuous service at all times.

Consumer Protection Rules

The Company has established operating procedures designed to facilitate compliance with applicable consumer protection rules which include compliance with the Customer Proprietary Network Information (CPNI) rules. The operating procedures include:

- Appointment of a compliance officer.
- A manual detailing the specific procedures for protecting consumer information.
- Employee training on an annual basis.
- A disciplinary process for improper use of consumer information.

The Champaign Telephone Company

Functionality in Emergency Situations

Back-Up Power

All Central Office equipment power is backed up via an 8-hour battery system and a fixed diesel powered generator with a 2500 gallon tank.

Major remote offices have an 8-hour battery system with a fixed propane or natural gas generator. One office does not have a fixed generator, but can be powered via a mobile diesel generator stored at the Central Office garage.

Minor remote terminals have an 8-hour battery system and can be supported with one of seven portable gas generators stored at the Central Office garage

Rerouting of Traffic around Damaged Facilities

All inter-carrier traffic, except for the Windstream office in St Paris, OH, are on optic rings with diverse routing within the ILEC region. St. Paris connection is provided by copper T1 spans between the two Central Offices.

Traffic Spikes

The voice switch network (loop carrier capacity included) is designed with a **maximum** of 4:1 oversubscription. In most cases, the oversubscription is 3:1.

The Champaign Telephone Company

Lifeline Terms and Conditions

The Champaign Telephone Company offers Lifeline program-supported service to qualified low-income residential consumers for one telephone line per eligible household. The Lifeline program provides discounts to eligible low-income consumers to help them establish and maintain telephone service. Lifeline assistance lowers the cost of basic, monthly local telephone service. Eligible consumers can receive \$9.25 per month in discounts. In addition, the Federal Universal Service Charge is not assessed to consumers participating in Lifeline. Toll Blocking prevents the placement of all long distance calls for which a subscriber would be charged. Toll blocking is available to eligible consumers at no cost. Also, by choosing this option, consumers are usually not charged a deposit.

Lifeline Program Eligibility Information

Program Based Eligibility

Consumers are eligible for Lifeline if they, one of their dependents or their household participate in one of the following qualifying assistance programs:

Medicaid
Federal Public Housing Assistance (Section 8)
Low Income Housing Energy Assistance (LIHEAP)
Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps)
Ohio Works First/Temporary Aid to Needy Families (TANF)
National School Lunch Program Free Lunch Program
Supplemental Security Income (SSI)
SSI – Blind and Disabled (SSDI)
General/Disability Assistance

Lifeline applicants must present documentation demonstrating eligibility either through participation in one of the qualifying federal assistance programs or through income-based means.

Acceptable documentation of program-based eligibility includes: current or prior year's statement of benefits from a qualifying state, federal or Tribal program; notice letter of participation in a qualifying state, federal or Tribal program; program participation documents; or another official document evidencing the consumer's participation in a qualifying state, federal or Tribal program.

Income Based Eligibility

In addition, consumers are eligible for Lifeline if their household income is at or below 150% of the federal poverty guidelines.

Acceptable documentation of income eligibility includes: prior year's state, federal or Tribal tax return; current income statement from an employer or paycheck stub; social security statement of benefits; Veterans Administration statement of benefits; retirement/pension statement of benefits; unemployment/workmen's compensation statement of benefits; federal or Tribal notice of letter participating in General Assistance; or a divorce decree or child support award or other official document containing income information.

are met); or the Food Distribution Program on Indian Reservations (FDPIR). Tribal subscribers may also qualify if the household income is at or below 150% of the Federal Poverty Guidelines.

Numbers of Minutes-of-Use Provided as Part of Lifeline Program Service

The Champaign Telephone Company's Voice Lifeline service includes unlimited local minutes-of-use within the toll-free calling area. The Champaign Telephone Company's Voice Lifeline Plan does not include any free minutes-of-use for toll. Toll is billed at the standard toll rate depending on which interexchange carrier the consumer subscribes to for toll service. As part of the Lifeline service, Toll blocking is available to eligible consumers at no cost.

Rates

Subscribers may receive the Lifeline credit on any type or grade of local service, including bundled services that are normally offered by The Champaign Telephone Company. Advertised rates do not include any applicable taxes or surcharges.

Recertification of Lifeline Eligibility

Lifeline recipients are required to recertify their eligibility annually. Failure to properly recertify a recipient's continued eligibility for the Lifeline program will result in termination of the Lifeline recipient's monthly Lifeline discount and de-enrollment from the Lifeline Program.

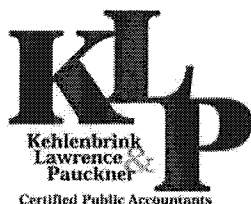
Additional Lifeline Program Information

The Lifeline program is limited to one benefit per household, consisting of either wireline or wireless service. A household is defined, for purposes of the Lifeline program, as an individual or group of individuals who live together at the same address and share income and expenses. Lifeline is a government benefit program, and consumers who willfully make false statements in order to obtain the benefit can be punished by fine or imprisonment or can be barred from the program.

The Champaign Telephone Company

Financial Report

December 31, 2012



To the Board of Directors
The Champaign Telephone Company

Independent Auditor's Report

We have audited the accompanying consolidated balance sheets of The Champaign Telephone Company and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Champaign Telephone Company and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Robert L. Lawrence & Associates

April 2, 2013

The Champaign Telephone Company

Consolidated Balance Sheets

Assets	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Current assets		
Cash and cash equivalents	\$ 195,279	\$ 721,891
Accounts receivable, less allowances of \$69,784 in 2012 and \$93,632 in 2011	426,417	645,674
Federal income tax receivable	165,665	152,689
Deferred income tax	57,646	122,478
Materials and supplies, at average cost	612,401	617,210
Prepaid expenses and other	<u>82,961</u>	<u>46,932</u>
Total current assets	<u>1,540,369</u>	<u>2,306,874</u>
Noncurrent assets		
Investments - at equity	-	20,993
Investments - at cost	<u>152,748</u>	<u>152,748</u>
Total noncurrent assets	<u>152,748</u>	<u>173,741</u>
Telecommunications plant		
Plant under construction	-	133,430
Telecommunications plant in service	44,227,015	42,755,417
Less accumulated depreciation	<u>33,600,721</u>	<u>31,364,013</u>
Telecommunications plant, net	<u>10,626,294</u>	<u>11,524,834</u>
Total assets	<u><u>\$ 12,319,411</u></u>	<u><u>\$ 14,005,449</u></u>

The accompanying notes are an integral part of the financial statements.

The Champaign Telephone Company

Consolidated Balance Sheets

Liabilities and Shareholders' Equity	December 31, 2012	December 31, 2011
Current liabilities		
Current maturities of long-term debt	\$ 320,278	\$ 306,211
Accounts payable	60,900	521,699
Dividends payable	-	120,584
Accrued expenses	110,599	174,904
Total current liabilities	<u>491,777</u>	<u>1,123,398</u>
Noncurrent liabilities		
Long term debt	593,052	911,700
Accrued postretirement healthcare expense	-	324,926
Deferred federal income taxes	1,932,665	2,030,200
Total noncurrent liabilities	<u>2,525,717</u>	<u>3,266,826</u>
Shareholders' equity		
Common stock, par value \$0.625 per share; authorized 1,000,000 shares, issued and outstanding, 415,105 shares in 2012 and 415,805 shares in 2011 (excluding 10,700 shares and 10,000 shares in treasury, respectively)	266,128	266,128
Treasury stock - at cost	(224,150)	(210,000)
Retained earnings	9,259,939	9,272,060
Accumulated other comprehensive income	-	287,037
Total shareholders' equity	<u>9,301,917</u>	<u>9,615,225</u>
Total liabilities and shareholders' equity	<u><u>\$ 12,319,411</u></u>	<u><u>\$ 14,005,449</u></u>

The accompanying notes are an integral part of the financial statements.

The Champaign Telephone Company

Consolidated Statements of Income

	Years Ended	
	December 31, 2012	December 31, 2011
Operating revenues		
Local service	\$ 2,368,821	\$ 2,474,819
Network access, billing and collection	3,229,694	3,827,146
CTTV video	947,934	895,817
Internet	1,510,189	1,453,888
Miscellaneous	1,334,405	1,525,793
Total operating revenues	9,391,043	10,177,463
Operating expenses		
Costs of providing services	5,348,027	5,548,762
Corporate operations	1,312,371	1,278,452
Depreciation and amortization	2,460,160	2,585,431
Other operating taxes	54,719	54,583
Total operating expenses	9,175,277	9,467,228
Operating income	215,766	710,235
Other income (expense)		
Investment income	233	4,340
Equity income of investees	-	(118,629)
Interest expense	(49,467)	(66,460)
Gain (Loss) on retirement of assets	1,448	(54,941)
Gain on termination of postretirement benefit plan	173,672	-
Other income (expense), net	125,886	(235,690)
Income before income taxes	341,652	474,545
Income taxes	159,288	172,898
Net income	\$ 182,364	\$ 301,647

The accompanying notes are an integral part of the financial statements.

The Champaign Telephone Company

Consolidated Statements of Comprehensive Income

	Years Ended	
	December 31, 2012	December 31, 2011
Net Income	<u>\$ 182,364</u>	<u>\$ 301,647</u>
Other comprehensive income (loss):		
Postretirement benefit plan:		
Gain on termination of plan	441,080	-
Net actuarial gain	-	39,101
Amortization of actuarial gain included in pension expense	-	(19,217)
Amortization of prior service gain included in pension expense	<u>-</u>	<u>(23,665)</u>
Other comprehensive income (loss) before tax	<u>441,080</u>	<u>(3,781)</u>
Income tax expense (benefit) related to other comprehensive income (loss)	<u>154,043</u>	<u>(1,320)</u>
Other comprehensive income (loss), net of tax	<u>287,037</u>	<u>(2,461)</u>
Comprehensive income	<u><u>\$ 469,401</u></u>	<u><u>\$ 299,186</u></u>

The accompanying notes are an integral part of these financial statements.

The Champaign Telephone Company
Consolidated Statements of Shareholders' Equity

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>
Balance, December 31, 2010	\$ 448,400	\$ 100,000	\$ (7,776,669)	\$ 17,107,953
Dividends - \$1.16 per share				(492,300)
Net income				301,647
Treasury stock purchases			(360,843)	
Retirement of treasury stock	<u>(182,272)</u>	<u>(100,000)</u>	<u>7,927,512</u>	<u>(7,645,240)</u>
Balance, December 31, 2011	266,128	-	(210,000)	9,272,060
Dividends - \$1.16 per share				(481,522)
Net income				182,364
Treasury stock purchases			(14,150)	
Termination of accrued postretirement healthcare liability, net of deferred tax expense of \$154,043				<u>287,037</u>
Balance, December 31, 2012	<u>\$ 266,128</u>	<u>\$ -</u>	<u>\$ (224,150)</u>	<u>\$ 9,259,939</u>

The accompanying notes are an integral part of the financial statements.

The Champaign Telephone Company

Consolidated Statements of Cash Flows

	Years Ended	
	December 31, 2012	December 31, 2011
Operating Activities		
Net income	\$ 182,364	\$ 301,647
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,460,160	2,585,431
Equity (income) loss from investments	20,993	118,629
Deferred federal income taxes	(32,703)	(77,153)
Loss on retirement of assets	-	54,941
Changes in operating assets and liabilities:		
Accounts receivable	219,257	(31,994)
Materials and supplies	4,809	(289,457)
Other current assets	(49,005)	261,180
Accounts payable	(460,799)	113,720
Other current liabilities	(64,305)	(100,828)
Accrued postretirement healthcare expense	(324,926)	(245,245)
Net Cash Provided by Operating Activities	<u>1,955,845</u>	<u>2,690,871</u>
Investing Activities		
Purchases of telephone plant, net	<u>(1,561,620)</u>	<u>(1,571,061)</u>
Financing Activities		
Payments of principal on amounts borrowed	(304,581)	(360,493)
Cash dividends paid	(602,106)	(492,300)
Treasury stock purchase	<u>(14,150)</u>	<u>(360,843)</u>
Net Cash Used in Financing Activities	<u>(920,837)</u>	<u>(1,213,636)</u>
Decrease in Cash and Cash Equivalents	(526,612)	(93,826)
Cash and Cash Equivalents at Beginning of Year	<u>721,891</u>	<u>815,717</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 195,279</u></u>	<u><u>\$ 721,891</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Income taxes	<u>222,604</u>	<u>155,520</u>
Interest	<u>49,467</u>	<u>65,306</u>

The accompanying notes are an integral part of the financial statements.

The Champaign Telephone Company

Notes to Consolidated Financial Statements December 31, 2012

Note 1 - Significant Accounting Policies

General Description of Business

The Champaign Telephone Company is an independent telephone company which provides telecommunications services to individuals and businesses located in Champaign County, Ohio. The Company also provides access services to interexchange carriers who sell long distance telephone service to their subscribers.

CT Communications Inc. provides long-distance, Internet, message center services and other non-regulated services.

CT Communications Network, Inc., is a CLEC (Competitive Local Exchange Carrier). The Company provides telephone and internet service outside the Company's local exchange. It also provides video service, under the brand name CTTV, both inside and outside the Company's local exchange.

Consolidation

The consolidated financial statements include the accounts of The Champaign Telephone Company, CT Communications, Inc. and CT Communications Network, Inc. Inter-company investments, accounts receivable and payable have been eliminated in consolidation.

Significant Accounting Policies

The Company maintains its accounts in accordance with the Uniform System of Accounts prescribed for telephone companies by the Federal Communications Commission (FCC). The financial statements reflect the application of the significant accounting policies described in this note and have been prepared in conformity with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Company's financial statements include significant estimates related to: the allowance for doubtful accounts in receivables, composite depreciation rates, certain service revenues earned but not billed, and interstate access revenues that are subject to future adjustment upon final settlement of revenue pools administered by the National Exchange Carrier Association (NECA).

The Champaign Telephone Company

Notes to Consolidated Financial Statements December 31, 2012

Note 1 - Significant Accounting Policies (Continued)

Telephone Plant and Depreciation

Telecommunications plant is stated at the original cost of construction including capitalized payroll-related expenses and an allowance for funds used during construction (AFUDC). No AFUDC was capitalized in 2012 and 2011. The original cost of depreciable property retired, together with removal cost less salvage realized is charged to accumulated depreciation. No gain or loss is recognized in connection with ordinary retirements of depreciable property. Maintenance, repairs and minor renewals are expensed as incurred.

Depreciation on telecommunications plant for financial statement purposes is computed by the use of the straight-line method, which is estimated to allocate the cost of depreciable plant equally over its estimated service life. Lives used are those approved by the Public Utilities Commission of Ohio (PUCO). The annual composite rate was 5.7% and 6.1% in 2012 and 2011, respectively. For federal income tax purposes, depreciation is computed by the use of accelerated methods.

Revenues

Local service revenues are derived from local telephone exchange service within Champaign and Logan counties. The rates at which the Company can charge a customer for this service are approved by the PUCO.

Compensation for interstate access services is received through tariffed access charges filed by NECA with the Federal Communications Commission (FCC) on behalf of the member companies. These access charges are billed by the Company to the interstate interexchange carriers, and pooled with like revenues from all NECA member companies. The portion of the pooled access charge revenue received by the Company is based upon its actual cost of providing interstate access service, plus a return on the investment dedicated to providing that service.

Compensation for intrastate access services is received through tariffed access charges filed with the PUCO. These access charges are billed to the intrastate long distance toll carriers and retained by the Company. The Company has also negotiated contracts for the provision of billing and collection services and received compensation for this service.

Directory revenues result from billings charged for yellow pages advertising and other directory listing charges. Internet charges are billed to customers based on a monthly service charge. All local and access revenues are recognized in the period in which they are earned regardless of the period in which they are billed.

The Champaign Telephone Company

Notes to Consolidated Financial Statements December 31, 2012

Note 1 - Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable from customers are carried at their billed amounts. Credit is generally extended on a short-term basis; thus receivables do not bear interest, although a late payment charge may be applied to receivables that are past due. Receivables are periodically evaluated for collectability based on the past credit history of the customer. Accounts deemed to be uncollectible by management are charged against the bad debt reserve and sent to collection. Provisions for losses are determined on the basis of known and inherent risk in accounts receivable.

Deferred taxes

Deferred taxes are provided on temporary differences arising from assets and liabilities whose basis are different for financial reporting and income tax purposes, primarily due to depreciable assets, bad debt reserves and postretirement benefits.

Investments

Investments carried at cost that are not readily marketable are valued at cost unless a significant known impairment exists at which time they are reduced to fair market value.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with a maturity of one month or less to be cash equivalents. Cash equivalents consist primarily of money market accounts. Interest bearing cash deposits at banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. Non-interest bearing accounts are fully insured through December 31, 2012. Beginning January 1, 2013, non-interest bearing accounts are subject to the same \$250,000 limitation as interest bearing accounts. As of December 31, 2012 the Company had no deposits in excess of the FDIC insurance.

Reclassifications

Certain 2011 amounts have been reclassified to conform with the 2012 financial statement presentation.

Subsequent Events

Management has evaluated potential subsequent events through April 2, 2013, the date the audited financial statements were available to be issued.

The Champaign Telephone Company

Notes to Consolidated Financial Statements December 31, 2012

Note 2 - Telecommunications Accounts Receivable

The Company's business activity consists primarily of providing local telephone service to customers residing in Champaign County, Ohio and connecting various long distance telephone carriers to said customers. Net receivables from long distance carriers as of December 31, 2012 and 2011 were unsecured and totaled \$369,719 and \$360,428, respectively. The company does not require collateral or other security from long distance carriers.

Note 3 – Federal Income Taxes

The provision for income taxes consists of the following:

	2012		2011	
	<u>Federal</u>	<u>State</u>	<u>Federal</u>	<u>State</u>
Current	\$ 178,252	\$ 13,739	\$ 232,115	\$ 17,936
Deferred	<u>(56,015)</u>	<u>23,312</u>	<u>(73,255)</u>	<u>(3,898)</u>
Total	<u>\$ 122,237</u>	<u>\$ 37,051</u>	<u>\$ 158,860</u>	<u>\$ 14,038</u>

The Champaign Telephone Company and its subsidiaries file consolidated returns for federal income tax. For financial reporting purposes, each company computes its federal income tax as if it were filing a separate return.

The net deferred income tax liability at December 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Depreciation differences	\$ (1,981,143)	\$ (2,200,187)
Postretirement liability	--	178,309
Future municipal book to tax deduction	20,485	23,899
Other	<u>85,639</u>	<u>90,257</u>
	<u><u>\$(1,875,019)</u></u>	<u><u>\$(1,907,722)</u></u>

The Champaign Telephone Company

Notes to Consolidated Financial Statements December 31, 2012

Note 3 – Federal Income Taxes (Continued)

The Company's net deferred tax asset and liability consists of:

	<u>2012</u>	<u>2011</u>
<u>Current</u>		
Deferred tax assets	57,646	122,478
<u>Non-current</u>		
Deferred tax assets	60,936	169,987
Deferred tax liabilities	<u>(1,993,601)</u>	<u>(2,200,187)</u>
Net non-current tax liability	(1,932,665)	(1,986,195)
Net deferred tax liability	<u><u>\$ (1,875,019)</u></u>	<u><u>\$(1,907,722)</u></u>

As of December 31, 2012, The Champaign Telephone Company's income tax returns for the years ended December 31, 2009, December 31, 2010, and December 31, 2011 remain subject to examination by the Federal and Ohio tax authorities.

Note 4 – Employee Benefit Plans

The Company sponsors a 401k plan (defined contribution plan) and corresponding profit sharing plan covering substantially all employees. The Company contributes \$.50 for every \$1.00 deferred by a participant up to the first 5% of the employee's salary. Contribution expenses under the cash or deferred profit sharing plan and trust for 2012 and 2011 were \$35,330 and \$46,548, respectively. In 2012 the Company did not make a profit sharing contribution to the deferred profit sharing plan and trust.

The Champaign Telephone Company

Notes to Consolidated Financial Statements December 31, 2012

Note 4 – Employee Benefit Plans (Continued)

The following amounts relate to the Company's postretirement benefit plan:

	<u>Postretirement Benefits</u>	
	<u>2012</u>	<u>2011</u>
Benefit obligation at December 31	\$ -	\$ (324,926)
Fair Value of plan assets December 31	<u>-</u>	<u>-</u>
Funded status	\$ -	\$ (324,926)
Accrued benefit cost recognized in the balance sheet	<u>\$ -</u>	<u>\$ (324,926)</u>

Effective December 2012, employees and retirees are no longer covered under this plan. As compensation for relinquishing this benefit active employees received a lump sum payment totaling \$185,638 in 2011 and retirees received a lump sum payment of \$129,000 in 2012. The income evolving from the termination of this plan is included in other income.

Note 5 – Telecommunications Plant

The major classes of property are listed below:

Telecommunications plant:

	<u>2012</u>	<u>2011</u>
Land and buildings	\$ 3,205,768	\$ 3,188,023
Central office equipment	14,058,370	12,933,793
Customer premise equipment	549,135	511,502
Telephone distribution plant	20,867,182	20,514,664
Furniture and office equipment	252,082	295,899
General purpose computers	1,756,359	1,745,634
Vehicles	780,510	799,149
Other work equipment	569,985	574,640
Internet equipment	2,001,970	1,998,847
Message center equipment	<u>185,654</u>	<u>193,266</u>
Total	<u>\$44,227,015</u>	<u>\$42,755,417</u>

The Champaign Telephone Company

Notes to Consolidated Financial Statements December 31, 2012

Note 6 – Investments – Cost Method

The Company holds CoBank patronage equity shares of \$152,748 at December 31, 2012 and 2011, respectively. The investment is stated at cost and has not been tested for impairment. Complete liquidation of this investment is expected over the next six years.

Note 7 – Investments – Various Fiber Farms Entities

CT Communications, Inc. (a wholly owned subsidiary of Champaign Telephone Company, Inc.) owns a 50% interest in Fiber Farms, LLC, Logan County Fiber Farms, LLC (LCFF) and Fiber Farms WCO, LLC (WCO). Certain alleged contractual commitments relative to these investments have come to light that were not approved by the Board of Directors of Champaign Telephone Company and it is the position of Champaign Telephone Company that these alleged contracts are not legally binding.

Negotiations are ongoing with the other investor in the Fiber Farms investments. The outcome of these negotiations is uncertain.

The Company's Fiber Farms investments are all accounted for using the equity method. Under the equity method of accounting the investment is carried at cost, adjusted for the Company's proportionate share of undistributed earnings or losses.

Fiber Farms LLC is a sales and marketing firm that sells and markets fiber facilities.

Logan County Fiber Farms, LLC (LCFF) was established to build a fiber optic ring around Bellefontaine, Ohio. Since January of 2010 LCFF has presented invoices to CT totaling \$185,760 for the lease of fiber strands. CT disputes the validity of these invoices and has made no corresponding payments. LCFF has withheld distributions due to CT as an offset against the unpaid fiber strand lease invoices. Expenses associated with the disputed fiber lease have not been recognized and, accordingly, corresponding revenues have not been recognized by LCFF for purposes of this financial statement. After making this adjustment, the Company's equity investment in LCFF at December 31, 2012, has been reduced to zero. The Company's operations in Bellefontaine are dependent on access to the fiber ring owned by LCFF.

Fiber Farms WCO, LLC (WCO) was established to construct a fiber line connecting the Bellefontaine and Columbus fiber rings. Construction of this fiber line is being financed by a line of credit with Richwood Banking Company totaling \$2,450,000. This line of credit is secured by the assets of Logan County Fiber Farms, LLC. As of December 31, 2012, WCO has borrowed \$1,526,932 to cover construction costs. The value recognized on the Company's balance sheet is zero for this investment because WCO is in the development stage and had negative equity at December 31, 2012.

The Champaign Telephone Company

Notes to Consolidated Financial Statements December 31, 2012

Note 8 – Long-Term Debt

In 2010, the Company entered into a loan agreement with Security National Bank to finance the buyback of company stock and close out the loan with Citizens Bank. The agreement established a loan of \$1,578,404 at a 4.5% interest rate per annum. In February 2011 the Company started to repay the loan in sixty equal monthly payments of \$29,563 plus interest. The note is secured by all the Company's inventory, chattel paper, accounts, equipment, general intangibles and fixtures.

The Company also has a secured line of credit with Security National Bank for up to \$600,000 which expires on December 5, 2013. The security agreement gives the Bank a security interest in all the Company's inventory, chattel paper, accounts, equipment, general intangibles and fixtures. Currently nothing has been borrowed against this note. The interest rate charged on any funds that are borrowed would be the greater of 4.0% or the Prime Rate as reported by the Wall Street Journal, which was at 3.25% at year end.

Long-term debt consists of the following as of December 31:

	<u>2012</u>	<u>2011</u>
Security National Bank, 4.50% per annum	\$ 913,330	\$ 1,217,911
Less: current portion	<u>320,278</u>	<u>306,211</u>
Total long-term debt	<u>\$ 593,052</u>	<u>\$ 911,700</u>

The annual requirements for principal payments on the above notes for the years through 2017 are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 320,278
2014	334,992
2015	258,060

The Champaign Telephone Company

Notes to Consolidated Financial Statements December 31, 2012

Note 9 – Shareholders' Equity

In 2011 the Board passed a motion to retire 291,635 shares of treasury stock whose accumulated value was \$7,927,512. 291,635 shares of common stock were also retired at a par value of \$.625/share. Upon making the retirement the Company also retired \$100,000 of paid-in-capital. The remaining balance was charged against retained earnings.

The number of shares outstanding and historical book value, dividend, net income and operating cash flow per outstanding common share as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Number of shares of common stock outstanding	<u>415,105</u>	<u>415,805</u>
Book value – per share	<u>\$ 22.41</u>	<u>\$ 23.12</u>
Dividend – per share	<u>\$ 1.16</u>	<u>\$ 1.16</u>
Net income – per share	<u>\$.44</u>	<u>\$.73</u>
Operating cash flow – per share	<u>\$ 4.71</u>	<u>\$ 6.47</u>

Note 10 – Concentrations

A portion of the Company's workforce is subject to collective bargaining agreements and these agreements expire August 31, 2014.

Note 11 – Subsequent Event

In March of 2013 the Company sold its messaging center business unit. Net proceeds for this transaction were \$138,759.

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Case No(s). 13-1115-TP-COI

Summary: Report FCC Form 481 electronically filed by Ms. Teresa L Thomas on behalf of The Champaign Telephone Company