FCC Form 481 - Carrier Annual Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

UTAH PUBLIC SERVICE COMMISSION
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RECEIVED

<010>	Study Area Code	502278
<015>	Study Area Name	HANKSVILLE TELECOM
<020>	Program Year	2014
<030>	Contact Name: Person USAC should contact with questions about this data	Darren L Woolsey
<035>	Contact Telephone Number: Number of the person identified in data line <030>	435-636-0090
<039>	Contact Email Address: Email of the person identified in data line <030>	dwoolsey@emerytelcom.com

ANNUAL REPORTING FOR ALL CARRIERS

(check box when complete)

		Value		54.313 Completion Required	54.422 Completion Required
<100>	Service Quality Improvement Reporting		*(complete attached worksheet)*	✓	
<200>	Outage Reporting (voice)		*(complete attached worksheet)*	✓	✓
<210>		✓ <-- check box if no outages to report			
<300>	Unfulfilled Service Requests (voice)	0		✓	
<310>	Detail on Attempts (voice)		*(attach descriptive document)*	✓	
<320>	Unfulfilled Service Requests (broadband)	0		✓	
<330>	Detail on Attempts (broadband)		*(attach descriptive document)*	✓	
<400>	Number of Complaints per 1,000 customers (voice)			✓	✓
<410>	Fixed	0.0			
<420>	Mobile	0.0			
<430>	Number of Complaints per 1,000 customers (broadband)			✓	
<440>	Fixed	0.0			
<450>	Mobile	0.0			
<500>	Service Quality Standards & Consumer Protection Rules Compliance		*(check to indicate certification)*	✓	✓
<510>	502278UT510		*(attached descriptive document)*	✓	✓
<600>	Functionality in Emergency Situations		*(check to indicate certification)*	✓	✓
<610>	502278UT610		*(attached descriptive document)*	✓	✓
<700>	Company Price Offerings (voice)		*(complete attached worksheet)*	✓	
<710>	Company Price Offerings (broadband)		*(complete attached worksheet)*	✓	
<800>	Operating Companies and Affiliates		*(complete attached worksheet)*	✓	✓
<900>	Tribal Land Offerings (Y/N)?	○ ◉	*(if yes, complete attached worksheet)*	✓	
<1000>	Voice Services Rate Comparability		*(check to indicate certification)*		
<1010>			*(attach descriptive document)*		
<1100>	Terrestrial Backhaul (Y/N)?	◉ ○	*(if not, check to indicate certification)*	✓	
<1110>			*(complete attached worksheet)*		
<1200>	Terms and Condition for Lifeline Customers		*(complete attached worksheet)*		✓

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)*		
<2005>	*(complete attached worksheet)*		

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	*(check to indicate certification)*	✓	
<3005>	*(complete attached worksheet)*	✓	

(100) Service Quality Improvement Reporting FCC Form 481
Data Collection Form OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	502278
<015>	Study Area Name	HANKSVILLE TELECOM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
<035>	Contact Telephone Number - Number of person identified in data line <030>	435-636-0050
<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

<110>	Has your company received its ETC certification from the FCC?	(yes / no) ○ ◉
<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) ○ ◉

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.	☐

(200) Service Outage Reporting (Voice)
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	502278
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<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
<035>	Contact Telephone Number - Number of person identified in data line <030>	435-636-0090
<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

<220>

<a> NORS Reference Number	<b1> Outage Start Date	<b2> Outage Start Time	<b3> Outage End Date	<b4> Outage End Time	<c1> Number of Customers Affected	<c2> Total Number of Customers	<d> 911 Facilities Affected (Yes / No)	<e> Service Outage Description (Check all that apply)	<f> Did This Outage Affect Multiple Study Areas (Yes / No)	<g> Service Outage Resolution	<h> Preventative Procedures
						-- See attached worksheet --					

(700) Price Offerings including Voice Rate Data
Data Collection Form

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July 2013

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<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
<035>	Contact Telephone Number - Number of person identified in data line <030>	435-636-0090
<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

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

<703>

<a1> State	<a2> Exchange (ILEC)	<a3> SAC (CETC)	<b1> Rate Type	<b2> Residential Local Service Rate	<b3> State Subscriber Line Charge	<b4> State Universal Service Fee	<b5> Mandatory Extended Area Service Charge	<c> Total per line Rates and Fees
				-- See attached worksheet				
				--				

(710) Broadband Price Offerings
Data Collection Form

FCC Form 481
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July 2013

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<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
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<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

<711>

<a1> State	<a2> Exchange (ILEC)	<b1> Residential Rate	<b2> State Regulated Fees	<c> Total Rate and Fees	<d1> Broadband Service - Download Speed (Mbps)	<d2> Broadband Service - Upload Speed (Mbps)	<d3> Usage Allowance (GB)	<d4> Usage Allowance Action Taken When Limit Reached {select}
		-- See attached worksheet --						

(800) Operating Companies
Data Collection Form

FCC Form 481
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July 2013

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<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
<035>	Contact Telephone Number - Number of person identified in data line <030>	435-636-0090
<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

<810>	Reporting Carrier	Hanksville Telecom
<811>	Holding Company	Emery Telcom HC, Inc.
<812>	Operating Company	N/A

<813>

<a1> Affiliates	<a2> SAC	<a3> Doing Business As Company or Brand Designation
-- See attached worksheet --		

(900) Tribal Lands Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

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<015>	Study Area Name	HANKSVILLE TELECOM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
<035>	Contact Telephone Number - Number of person identified in data line <030>	435-636-0090
<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

<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:

		Select (Yes,No, NA)
<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.	

(1100) No Terrestrial Backhaul Reporting
Data Collection Form

FCC Form 481
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July 2013

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<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
<035>	Contact Telephone Number - Number of person identified in data line <030>	435-636-0090
<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

<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) ☐

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

FCC Form 481
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July 2013

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<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
<035>	Contact Telephone Number - Number of person identified in data line <030>	435-636-0090
<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of attached document (.pdf)

<1220> Link to Public Website HTTP http://www.emerytelcom.com/residential-services/residential-phone.html

"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. ☑

(2000) Price Cap Carrier Additional Documentation
Data Collection Form
Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

FCC Form 481
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July 2013

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<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
<035>	Contact Telephone Number - Number of person identified in data line <030>	435-636-0090
<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

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 ____________

(3000) Rate Of Return Carrier Additional Documentation
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	502278
<015>	Study Area Name	HANKSVILLE TELECOM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
<035>	Contact Telephone Number - Number of person identified in data line <030>	435-636-0090
<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

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)) — Name of Attached Document Listing Required Information
Please check this box to confirm that the attached PDF, on line 3012, ☐

(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)(ii)) — Name of Attached Document Listing Required Information

(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) ☑ (Yes/No)

(3014) If yes, does your company file the RUS annual report ☐ (Yes/No)

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:

(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers) ☐

(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

(3018) If the response is no on line 3014, is your company audited? ☑ (Yes/No)

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 :

(3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications ☑

(3020) PDF of Balance Sheet, Income Statement and Statement of Cash Flows ☑

(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:

(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, ☐

(3023) Underlying information subjected to a review by an independent certified public accountant ☐

(3024) Underlying information subjected to an officer certification. ☐

(3025) PDF of Balance Sheet, Income Statement and Statement of Cash Flows ☐

(3026) Attach the worksheet listing required information — Name of Attached Document Listing Required Information: 502278UT3026

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

<010>	Study Area Code	502278
<015>	Study Area Name	HANKSVILLE TELECOM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
<035>	Contact Telephone Number - Number of person identified in data line <030>	435-636-0090
<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

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:	HANKSVILLE TELECOM		
Signature of Authorized Officer:	CERTIFIED ONLINE	Date	10/14/2013
Printed name of Authorized Officer:	Darren Woolsey		
Title or position of Authorized Officer:	Chief Financial Officer		
Telephone number of Authorized Officer:	435-636-0090		
Study Area Code of Reporting Carrier:	502278	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.

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013

<010>	Study Area Code	502278
<015>	Study Area Name	HANKSVILLE TELECOM
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Darren L Woolsey
<035>	Contact Telephone Number - Number of person identified in data line <030>	435-636-0090
<039>	Contact Email Address - Email Address of person identified in data line <030>	dwoolsey@emerytelcom.com

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)____________________________________ 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:

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.

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:

Name of Authorized Agent or Employee of Agent:

Signature of Authorized Agent or Employee of Agent: Date:

Printed name of Authorized Agent or Employee of Agent:

Title or position of Authorized Agent or Employee of Agent

Telephone number of Authorized Agent or Employee of Agent:

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.

Attachments

(800) Operating Companies
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>	dwoolsey@emerytelcom.com

<810>	Reporting Carrier	Hanksville Telecom
<811>	Holding Company	Emery Telcom HC, Inc.
<812>	Operating Company	N/A

<813>

<a1> Affiliates	<a2> SAC	<a3> Doing Business As Company or Brand Designation
Emery Telcom HC, Inc.		
Carbon/Emery Telcom	502278	
Emery Telephone	502278	Emery Telcom
Emery Telecommunications & Video, Inc.		
Emery Telcom Video, LLC		
Emery Telcom Long Distance		
Emery Telcom Wireless, Inc.		

Response Line 510
Hanksville Telcom
SAC 502278

Pursuant to 47 C.F.R. § 54.313(a)(5) and or 47 C.F.R. § 54.422(b)(3) Hanksville Telcom is in compliance with appropriate FCC Service Quality Standards and Consumer Protection Rules. Hanksville Telcom has designated a CPNI Compliance Officer responsible for training and ensuring compliance with CPNI. Hanksville Telcom provides CPNI training to all new employees and annual training to all existing employees. Hanksville Telcom also provides CPNI information to customers through an annual bill insert notification which contains CPNI information, rules and regulations, and the opportunity to "opt out". Hanksville Telcom also provides similar information on its website and updates the information as necessary. Hanksville Telcom also trains staff on Red Flag issues on an annual basis. All company employees are required to sign and acknowledge that they have completed CPNI and Red Flag training and understand obligations to the adherence of applicable rules.

Hanksville Telcom also outlines its rates, terms, and conditions under which Hanksville Telcom offers service in its Local Exchange Tariff. The tariff explains customer rights and obligations, customer service, dispute resolution, deposits, billing and payment options, disconnection of service as well as cancellation of service options. Hanksville Telcom keeps its tariffs available for public inspection at its business offices. Select portions of the tariffs including privacy, directory listings, and terms & conditions of use are also available on the Hanksville Telcom web site.

Response Line 610
Hanksville Telcom
SAC 502278

Functionality in Emergency Situations:

Pursuant to 47 C.F.R. § 54.313(a)(6) and 47 C.F.R § 54.22(b)(4) as set forth in 47 C.F.R. § 54.202(a)(2) Hanksville Telcom("Hanksville") meets the requirements to remain functional in emergency situations and has the following capabilities:

Back-up power is provided to Hanksville's single central office by use a fixed generator and batteries that provide back-up power. The CO and critical radio sites located in Hanksville and at Turkey Knob (near Teasdale, UT) have been designed to also accept the connection of a mobile generator which can be moved as a redundant power source or back-up generator for extended or multiple outages.

Hanksville nodes and field electronics have 2 to 8 hours of back-up power provided by batteries with additional support provided by mobile generators which can be deployed as needed.

Hanksville has deployed technology in its core fiber optic and copper network that is self-healing and will automatically reroute traffic should a cable cut occur. Hanksville uses carrier grade equipment for important network elements such as switching and access gear with built in redundancy. Hanksville also has spare equipment for network elements that might affect reliability.

Lastly, Hanksville is prepared and capable of managing traffic spikes resulting from emergency situations and has developed procedures for employees to follow during emergency situations.

Report of Independent Auditors
and Consolidated Financial Statements

Emery Telcom and Subsidiaries

December 31, 2012 and 2011

CONTENTS

WWW.MOSSADAMS.COM

MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Emery Telcom

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Emery Telcom and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate for 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 consolidated financial statements.

REPORT OF INDEPENDENT AUDITORS (continued)

Auditor's Responsibility **(continued)**

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 Emery Telcom and its subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Overland Park, Kansas
April 12, 2013

EMERY TELCOM AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2012	December 31, 2011
CURRENT ASSETS		
Cash and cash equivalents	$ 2,399,990	$ 9,901
Accounts receivable	904,306	805,649
Materials and supplies	918,154	859,819
Prepaid income taxes	517,054	600,184
Other prepaids	479,148	415,424
Total current assets	5,218,652	2,690,977
NONCURRENT ASSETS		
Investments	1,325,820	1,400,937
Goodwill	2,377,759	2,377,759
Intangible assets	483,659	483,659
Deferred charges	448,009	527,498
Total noncurrent assets	4,635,247	4,789,853
PROPERTY, PLANT, AND EQUIPMENT		
Regulated property, plant, and equipment in service	72,522,221	72,066,161
Regulated plant under construction	1,016,144	639,748
Nonregulated property, plant, and equipment in service	15,584,668	15,020,481
Nonregulated plant under construction	509,433	1,068,653
Total property, plant, and equipment	89,632,466	88,795,043
Less accumulated depreciation	(56,850,422)	(52,379,776)
Net property, plant, and equipment	32,782,044	36,415,267
	$ 42,635,943	$ 43,896,097

LIABILITIES AND MEMBERS' EQUITY

	December 31, 2012	December 31, 2011
CURRENT LIABILITIES		
Current maturities, notes payable	$ -	$ 560,000
Accounts payable	1,375,287	1,666,846
Advance billings and customer deposits	57,199	52,050
Accrued income tax	2,892	2,892
Other current liabilities	369,766	314,756
Total current liabilities	1,805,144	2,596,544
LONG-TERM DEBT		
Notes payable	2,000,000	5,776,732
Less current maturities	-	(560,000)
Total long-term debt	2,000,000	5,216,732
OTHER LIABILITIES		
Deferred credits	581,188	670,013
Deferred income tax	3,981,379	3,598,386
Postretirement benefit obligation	1,470,997	1,674,249
Total other liabilities and deferred credits	6,033,564	5,942,648
MEMBERS' EQUITY		
Membership certificates	126,256	126,256
Patronage capital	16,695,173	17,050,587
Accumulated other comprehensive income (loss)	52,152	(73,767)
Retained earnings	15,923,654	13,037,097
Total members' equity	32,797,235	30,140,173
	$ 42,635,943	$ 43,896,097

EMERY TELCOM AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	Years Ended December 31, 2012	Years Ended December 31, 2011
OPERATING REVENUE		
Wireline	$ 16,481,323	$ 15,696,468
Television	2,989,581	3,195,471
Internet	4,079,389	3,845,900
Miscellaneous revenue	1,563,777	1,580,196
Net operating revenue	25,114,070	24,318,035
OPERATING EXPENSE		
Plant specific operations expense	3,262,382	3,538,879
Plant nonspecific operations expense	1,077,379	1,053,446
Depreciation and amortization expense	5,612,218	4,993,171
Customer operations expense	1,345,264	1,269,650
Corporate operations expense	1,864,036	1,824,518
Other operating taxes	186,425	195,127
Nonregulated	6,345,801	6,897,528
Total operating expense	19,693,505	19,772,319
OPERATING MARGIN	5,420,565	4,545,716
OTHER INCOME (EXPENSE)		
Interest and dividend income	229	2,302
Interest expense	(49,902)	(323,969)
Allowance for funds used during construction	10,866	-
Loss on investments	(768,695)	(52,517)
Other income	18,139	7,623
Total other expense	(789,363)	(366,561)
NET MARGIN BEFORE INCOME TAXES	4,631,202	4,179,155
Income Taxes	1,735,003	1,471,123
NET MARGIN	2,896,199	2,708,032
OTHER COMPREHENSIVE INCOME		
Change in postretirement benefit obligation	125,919	172,481
TOTAL COMPREHENSIVE INCOME	$ 3,022,118	$ 2,880,513

 See accompanying notes.

EMERY TELCOM AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

	Membership Certificates	Patronage Assignable	Patronage Assigned	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
BALANCE, December 31, 2010	$ 126,256	$ 602,583	$ 16,521,193	$ (246,248)	$ 10,619,644	$ 27,623,428
Capital credits assigned	-	(602,583)	602,583	-	-	-
Adjustments	-	-	5,219	-	-	5,219
Capital credits returned	-	-	(368,987)	-	-	(368,987)
Capital credits retained during receivables adjustment	-	-	(21,451)	-	21,451	-
Intercompany patronage	-	-	(3,719)	-	3,719	-
Patronage capital	-	315,749	-	-	(315,749)	-
Net margin	-	-	-	-	2,708,032	2,708,032
Change in postretirement benefit obligation	-	-	-	172,481	-	172,481
BALANCE, December 31, 2011	126,256	315,749	16,734,838	(73,767)	13,037,097	30,140,173
Capital credits assigned	-	(315,749)	315,749	-	-	-
Adjustments	-		2,756			2,756
Capital credits returned	-		(367,812)	-	-	(367,812)
Capital credits retained during receivables adjustment	-		(11,063)	-	11,063	-
Intercompany patronage	-		(414)	-	414	-
Patronage capital	-	21,119		-	(21,119)	-
Net margin	-	-		-	2,896,199	2,896,199
Change in postretirement benefit obligation	-	-	-	125,919	-	125,919
BALANCE, December 31, 2012	$ 126,256	$ 21,119	$ 16,674,054	$ 52,152	$ 15,923,654	$ 32,797,235

See accompanying notes.

EMERY TELCOM AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margin	$ 2,896,199	$ 2,708,032
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	5,612,218	4,993,171
Deferred tax	382,993	1,151,846
Loss on investments	768,695	(3,893)
Noncash patronage	(34,114)	(48,624)
Allowance for funds used during construction	(10,866)	-
Change in operating assets and liabilities		
Accounts receivable	(98,657)	536,865
Materials and supplies	(58,335)	(498,702)
Prepayments	(63,724)	(8,563)
Deferred charges	79,489	(62,423)
Income taxes accrued/prepaid	83,130	555,842
Accounts payable	(291,559)	1,015,517
Advance billings and customer deposits	5,149	4,787
Postretirement benefit obligation	(77,333)	128,616
Deferred credits	(88,825)	670,013
Other current liabilities	55,010	(38,416)
Net cash from operating activities	9,159,470	11,104,068
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant and equipment	(3,178,325)	(5,944,000)
Proceeds from asset retirement	533,817	49,287
Distributions received from investments	16,915	20,894
Net cash from investing activities	(2,627,593)	(5,873,819)
CASH FLOWS FROM FINANCING ACTIVITIES		
Patronage distributions	(365,056)	(363,768)
Proceeds from long-term debt	4,849,256	910,855
Payments of long-term debt	(8,625,988)	(8,054,123)
Net cash from financing activities	(4,141,788)	(7,507,036)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,390,089	(2,276,787)
CASH AND CASH EQUIVALENTS, beginning of year	9,901	2,286,688
CASH AND CASH EQUIVALENTS, end of year	$ 2,399,990	$ 9,901

See accompanying notes.

	2012	2011
SUPPLEMENTAL DISCLOSURE OF CASH PAID DURING THE YEAR FOR		
Interest, net of amounts capitalized	$ 85,167	$ 415,893
Income tax	$ 1,269,000	$ 950,906

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

For the years ended December 31, 2012 and 2011, patronage allocations totaling $21,119 and $315,749, respectively, were transferred from retained earnings.

Note 1 – Summary of Significant Accounting Policies

Organization - Emery Telcom (the Cooperative), a cooperative organized in the state of Utah, is a regulated local exchange telephone company providing telephone service to approximately 3,900 access lines in Emery County, Utah.

Emery Telcom HC, Inc. (the Holding Company), a corporation organized in the state of Utah, is the holding company for the taxable operating companies within the consolidated group.

Carbon/Emery Telcom, Inc. (Carbon), a corporation organized in the state of Utah, is a regulated local exchange telephone company providing telephone service to approximately 8,100 access lines in Carbon County, Utah.

Hanksville Telcom, Inc. (Hanksville), a corporation organized in the state of Utah, is a regulated local exchange telephone company providing regulated telephone service to approximately 100 access lines in Wayne County, Utah.

Emery Telecommunications & Video, Inc. (ETV), a corporation organized in the state of Utah, provides Internet and customer premise services to approximately 8,600 subscribers in Emery, Carbon, and Wayne Counties.

Emery Telcom Long Distance, Inc. (ETLD), a corporation organized in the state of Utah, provides long-distance service to approximately 8,400 subscribers of the regulated local exchange companies.

Emery Telcom Video, LLC (ETV-LLC), a limited-liability company organized in the state of Utah, provides traditional cable television services to approximately 4,700 subscribers and 2,300 cable Internet subscribers.

Emery Telcom Wireless, Inc. (Wireless), a corporation organized in the state of Utah, provides wireless telecommunications service. Operations for Wireless were discontinued during the year ended December 31, 2012.

Principles of consolidation - The consolidated financial statements include the accounts of Emery Telcom, its wholly-owned subsidiary, Emery Telcom HC, Inc., and its wholly-owned subsidiaries, Carbon/Emery Telcom, Inc.; Hanksville Telcom, Inc.; Emery Telecommunications & Video, Inc.; Emery Telcom Long Distance, Inc.; Emery Telcom Video, LLC; and Emery Telcom Wireless, Inc. which are collectively referred to as the Company. Significant intercompany accounts and transactions have been eliminated.

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting policies - The financial statements of the Company have been prepared in conformity with the accounting principles generally accepted in the United States of America applicable to regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting principles prescribed by the Federal Communications Commission (FCC) under Part 32, *Uniform System of Accounts for Telecommunications Companies.*

Accounting estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense, interstate access revenue settlements, and valuations of long-lived assets and goodwill.

Cash and cash equivalents - For the purposes of the statements of cash flows, the Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Concentration of credit risk - The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally-insured limits. The federally insured limit is $250,000 per institution. The Company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable - Accounts receivable are stated at the amount management expects to collect on outstanding balances. Credit is extended on a short-term basis; therefore, accounts receivable do not bear interest. The Company reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historic collection information, and existing economic conditions. Receivables from subscribers are due 30 days after issuance of the subscriber bill. Receivables from other exchange carriers are typically outstanding 30 to 60 days before payment is received. Accounts receivable are written off when they are determined to be uncollectible. The Company uses the direct write-off method when accounting for bad debts, which provides for uncollectible amounts through a charge to earnings and a credit to accounts receivable based on Management's assessment of the current status of individual accounts. Management believes the direct write-off method provides results that would not differ materially from the allowance method.

Advertising costs - Advertising costs are expense when incurred. For the years ended December 31, 2012 and 2011, advertising costs incurred were $149,403 and $113,277, respectively.

Note 1 – Summary of Significant Accounting Policies (continued)

Materials and supplies - Materials and supplies consist of fiber-optic cable, metallic cable, telephone equipment, and materials related to the telecommunications industry. Materials and supplies are stated at the lower of average cost or market.

Regulated property, plant, and equipment - Regulated property, plant, and equipment is stated at original cost. The cost of additions to plant includes contracted work, direct labor, materials, certain payroll taxes, and employee benefits. When units of property are retired, the original cost plus removal costs, less salvage, is charged to accumulated depreciation with no gain or loss recognized. The cost of maintenance and repairs of property and replacement of items determined to be less than units of property is charged to operating expenses.

Depreciation is computed on the straight-line basis by the application of rates based on the estimated service lives of the various classes of depreciable property as approved by the state regulatory authority. These estimates are subject to change in the near term.

Nonregulated property, plant, and equipment - Nonregulated property, plant, and equipment is recorded at original cost. Depreciation is computed on the straight-line basis for financial reporting and accelerated methods for income tax purposes. Expenditures for maintenance and repairs are charged to operations when incurred. Gains or losses from property disposals are included in income.

Long-lived assets - The Company reviews its long-lived assets whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. When such events occur, the Company determines potential impairment by comparing the carrying value of its assets with the sum of the undiscounted cash flows expected to be provided by operating and eventually disposing of the asset. Should the sum of the expected future net cash flows be less than carrying values, the Company would determine whether an impairment loss should be recognized. No impairment losses on long-lived assets have been identified in the financial statements.

Intangible assets and goodwill - Intangible assets and goodwill are capitalized in accordance with the *Intangibles - Goodwill and Other Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification*. Definite lived intangible assets are amortized on a straight-line basis over the estimated useful life of the assets. Goodwill and intangible assets with indefinite lives are not amortized but are evaluated for impairment annually or between annual tests if an event or change in circumstance occurs that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

Income tax – In 2012 and 2011, the Cooperative qualified as a tax-exempt entity because more than 85% of gross revenues were from Cooperative members. Taxes are computed on income unrelated to the Cooperative's exempt purpose.

Note 1 – Summary of Significant Accounting Policies (continued)

Income tax (continued)

The Cooperative's subsidiaries are taxable for both federal and state income tax purposes and file a consolidated tax return. Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for future deductible temporary differences and deferred tax liability are recognized for future taxable temporary difference. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets & liabilities relate primarily to the difference in depreciation and amortization methods for tax purposes. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2012 and 2011, the Company had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively. The Company is no longer subject to U.S. federal or state and local tax examinations by tax authorities for years before 2009.

Taxes imposed by governmental authorities – The Company is subject to taxes assessed by various governmental authorities on many different types of revenue transactions with its customers. These specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Comprehensive income – Comprehensive income is defined as the change in equity of a business during a period as a result of net income (loss) and other gains and losses affecting equity that, under accounting principles generally accepted in the United States of America, are excluded from net income. Accumulated other comprehensive income (loss) includes an adjustment to reflect the effect of the Company's postretirement benefit plan.

Revenue recognition - Monthly service fees derived from local wireline, Internet, and television are billed one month in advance but recognized in the month that service is provided. Fees derived from business system sales and directory are billed in arrears and accrued in the month service is provided.

Usage sensitive revenues, such as access (revenues earned for originating/terminating long-distance calls), and long-distance are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

Interstate access revenues also include settlements based on the Company's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate-access cost studies. These studies are prepared subsequent to year-end and, therefore, the related revenues are recorded on the books based on an estimate of NECA pool earnings and on other assumptions related to information utilized in the preparation of the cost studies. The studies are subject to a 24-month pool earnings adjustment period and a review of the study by NECA. Revenues were decreased in 2012 and 2011 by $465,000 and $56,000, respectively, for adjustments related to prior-year differences between the recorded estimates and actual revenues.

Internet revenues are derived from the provision of customer access to the public Internet, excluding revenues attributable to digital subscriber line (DSL) transport (line costs between the customer and the Company's equipment that routes Internet traffic). Interstate access revenues include settlements from NECA that compensate the Company for the DSL transport related to the provision of Internet services.

The Company's wireline and Universal Service support (USS) revenue is intended to compensate the Company for the high cost of providing rural telephone service. USS revenue includes funds received for high cost loop support (HCLS), local switching support prior to July 1, 2012 (LSS), interstate common line support (ICLS), Connect America Fund (CAF) and other miscellaneous programs. HCLS and ICLS are based on the Company's current relative level of operating expense and plant investment. Support from the CAF is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF base. The CAF base will be reduced by 5% each year in determining CAF support.

Regulation - The Company's services are subject to rate regulation as follows:

- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by the NECA.
- Federal USS revenues are administered by the Universal Service Administrative Company (USAC) based on rules established by the FCC.
- Local, intrastate toll access revenues, and Utah Universal Service Fund revenues are regulated by the Public Service Commission of Utah.

Other sources of revenue are not rate regulated and include cable and IPTV service, long-distance service, customer premise equipment sales, rents, and other incidental services.

Note 1 – Summary of Significant Accounting Policies (continued)

Regulation (continued)

Nonregulated expenses and nonregulated plant are directly attributable to nonregulated services.

All other operating expenses and telecommunications plant are related primarily to wireline revenues; however, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlement, USF, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed in accordance with Part 64 of the FCC rules in order to ensure regulated revenues are based on costs of providing regulated services.

In October 2011, the FCC issued an order reforming intercarrier compensation and USF mechanisms and issued a Further Notice of Proposed Rulemaking (FNPRM) on long-term USF reform, transition timing, and implementation. The majority of the impacts of these regulations began on July 1, 2012.

Major provisions of the order and FNPRM include:

- Limitations on the amount of support received per line
- Limitations on capital expenditures and operating expenses recoverable from the USF
- Benchmarks for minimum local rates charged to end users by recipients of support
- The establishment of the Access Recovery Charge (ARC) billed to end users
- The phase out of local switching support and the establishment of the CAF, a new funding mechanism for investment and expenses related to the switching function
- The structured reduction of carrier access rates charged by the Company to other carriers using its network to complete long-distance calls

Management is monitoring the impacts of the reform on an ongoing basis.

Fair value measurement – Fair value represents the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The Company follows a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following are the three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Note 1 – Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

The fair value measurement guidance is applicable to the Company in the following areas:

- Goodwill (Note 4)
- Postretirement benefit plan assets (Note 8)

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements were available to be issued.

Subsequent events have been evaluated through April 12, 2013, which is the date the financial statements were available to be issued.

Reclassification of amounts – Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 presentation. There is no effect on previously reported net margin or members' equity.

Note 2 – Accounts Receivable

Accounts receivable consist of the following at December 31:

	2012	2011
Accounts receivable, subscribers	$ 288,761	$ 291,696
Accounts receivable, carriers	564,044	335,753
Accounts receivable, related party	6,935	176,012
Accounts receivable, other	44,566	2,188
Total	$ 904,306	$ 805,649

Note 3 – Investments

Investments consist of the following at December 31:

	2012	2011
CoBank, ACB (CoBank)	$ 1,176,820	$ 1,159,622
Other investments	149,000	241,315
Total	$ 1,325,820	$ 1,400,937

As a condition of its debt to CoBank, the Company was required to purchase participation certificates. The participation certificates are recorded at original cost, adjusted for patronage allocations net of cash distributions. The CoBank participation certificates have no readily determinable market value and are stated at cost. Patronage income is recorded as a reduction of interest expense.

Other investments include investments in partnerships. Investments in partnerships include a 19% ownership in Utah Fiber Network, LLC (UFN), a 33% ownership in IPTV Network Services, LLC (IPTV), and a 20% ownership in Western Fibernet, LLC (WFN). WFN is inactive. These investments are accounted for under the equity method of accounting for investments due to the flow through nature of the partnerships.

During 2012, IPTV sold its headend equipment and discontinued providing IPTV services. As a result, the Company wrote off its investment in IPTV and recognized a loss of $165,096.

Note 4 – Intangible Assets and Goodwill

Intangible assets at December 31, 2012 and 2011 consist of wireless spectrum located in Carbon, Emery, and Grand counties, which were acquired through a FCC wireless spectrum auction. The cost of acquiring the spectrum was $483,659. The wireless spectrum is reviewed annually for impairment by Management. No impairments were recognized by the Company during the years ended December 31, 2012 and 2011.

The Company's goodwill balance represents the excess purchase price over the fair value of identifiable assets and liabilities acquired from PRECIS and other business combinations. Goodwill was tested for impairment by comparing the fair value of the reporting unit to the carrying value. As of December 31, 2012 and 2011, Management determined the fair value of the reporting unit exceeded its carrying value, and no impairment loss was recorded. Fair value was determined using the income approach (level 3 inputs in the fair value hierarchy), which includes a calculation of discounted cash flows.

Note 5 – Property, Plant, and Equipment

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

	Depreciable Life	Plant Account	Accumulated Depreciation	2012 Net Balance	2011 Net Balance
Regulated plant					
General support facilities	5-30 years	$ 8,600,210	$ 6,114,630	$ 2,485,580	$ 2,603,243
Central office equipment	5-12 years	12,897,517	8,278,535	4,618,982	5,231,830
Cable and wire facilities	10-30 years	32,291,849	25,892,009	6,399,840	7,721,755
Telephone plant acquisition adjustment, net	20 years	18,732,645	11,863,545	6,869,100	7,805,729
Plant under construction	N/A	1,016,144	N/A	1,016,144	639,748
Total		73,538,365	52,148,719	21,389,646	24,002,305
Nonregulated plant					
General support facilities	5-30 years	3,709,688	741,245	2,968,443	2,050,480
Central office equipment	7-17 years	1,712,647	1,134,554	578,093	1,827,113
Cable and wire facilities	15-24 years	7,563,590	2,063,807	5,499,783	6,227,363
Internet equipment	5-10 years	731,888	340,241	391,647	342,239
Television equipment	5-10 years	1,706,907	294,072	1,412,835	832,958
Voicemail equipment	5 years	159,948	127,784	32,164	64,156
Plant under construction	N/A	509,433	N/A	509,433	1,068,653
Total		$ 16,094,101	$ 4,701,703	$ 11,392,398	$ 12,412,962

Telephone plant acquisition adjustment (TPAA) arose in connection with the purchases of three former Qwest exchanges. TPAA represents the excess fair value over the original carrying value of the assets acquired and is being amortized over the estimated useful life of the acquired assets.

Note 6 – Long-Term Debt

Long-term debt is comprised of notes payable to CoBank. Outstanding loan balances associated with each subsidiary are as follows at December 31:

	2012	2011
Carbon	$ 2,000,000	$ 3,536,732
ETV, LLC	-	2,240,000
Total notes payable	$ 2,000,000	$ 5,776,732

The note payable to CoBank associated with Carbon includes a fixed interest rate portion, $2,000,000 at an interest rate of 5.636%, as of December 31, 2012. Repayment on the note is determined on a quarterly commitment structure based on the outstanding loan balance with final maturity in 2014. Based on the outstanding loan commitment at December 31, 2012, the Company is not required to make principal payments until 2014. This note also provides an available revolving loan that has a limit of $5,326,721, as of December 31, 2012. The revolving loan contains a variable interest rate based upon the British Bankers Association London Interbank Offered Rate (LIBOR), which was 0.21% on December 31, 2012, plus a margin of 1.50% to 2.00% that is adjusted based on Company performance. The revolving loan limit decreases quarterly and availability ceases in 2016. As of December 31, 2012, the unadvanced balance on the revolving loan totaled $5,326,721. The revolving loan has a commitment fee of 0.25% for unadvanced balances.

The note payable to CoBank associated with ETV-LLC, originally in the amount of $5,320,000 was originated in January 2009 to provide funding for the PRECIS asset purchase and contains a variable interest rate based upon the LIBOR (which was 0.21% on December 31, 2012), plus a margin of 1.50% to 2.00% that is adjusted based on Company performance. Note payments are based on quarterly fixed amounts of $140,000, with the final payment due April 20, 2019. During 2012, the Company paid off the note payable to CoBank associated with ETV-LLC.

The stock of all members of the consolidated group was pledged to consummate the loan agreements with CoBank. In addition to the pledge agreement, the notes payable are secured by all real and personal property of the Company.

The notes contain certain affirmative and negative covenants, including maintenance of certain financial ratios as defined by the agreement.

Future payments of principal to CoBank will approximate $2,000,000 in 2014.

EMERY TELCOM AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 – Income Tax and Deferred Income Tax

Income tax expense consists of the following for the years ended December 31:

	2012	2011
Current		
Federal	$ 1,170,880	$ 276,418
State	181,130	42,859
Deferred	382,993	1,151,846
Total income tax expense	1,735,003	1,471,123
Income tax expense classification		
Operating	303,353	202,304
Nonregulated	1,431,650	1,268,819
Total income tax expense	$ 1,735,003	$ 1,471,123

For the years ended December 31, 2012 and 2011, the consolidated income tax expense computed at the statutory rate differs from the amount of the expense recorded on the financial statements. The difference relates primarily to the tax exempt status of the Company and state income tax.

The components of the Company's net deferred tax liability consist of the following at December 31:

	2012	2011
Tax depreciation and amortization in excess of financial statement depreciation and amortization	$ (3,980,884)	$ (3,608,289)
Accrued employee benefits		9,660
Investment basis difference	5,834	6,884
Capital credit adjustments	(6,829)	(6,641)
Total	$ (3,981,379)	$ (3,598,386)

Note 8 – Employee Benefit Plans

The Cooperative sponsors two postretirement benefit plans.

Defined contribution savings plan - The Company has a defined contribution 401(k) savings plan for all eligible employees that is administered by the National Telecommunications Cooperative Association (NTCA).

The Cooperative and Carbon employees can make voluntary contributions to the savings plan, with the Company matching employee contributions to the savings plan up to four percent of annual salary. In addition, the Company may, at its discretion, contribute up to an additional eight percent of the employee's annual salary. For the years ended December 31, 2012 and 2011, the Company made an additional discretionary match of eight percent.

ETV and ETV-LLC employees can make voluntary contributions to the savings plan. The Company will contribute to the savings plan on a two-for-one basis, matching amounts up to two percent of their annual salary if the employee contributes at least one percent of annual salary.

The Company's cost for the savings plan totaled $398,231 and $417,449, respectively, for the years ended December 31, 2012 and 2011. Savings plan costs are charged to expense and other accounts based on payroll distributions.

Other postretirement plan benefits - The Cooperative sponsors a defined benefit postretirement plan administered by NTCA for employees of the Cooperative employed prior to July 1, 2007. The plan covers eligible employees only and provides healthcare insurance and life insurance benefits to retirees and to retiree's dependents upon the retiree's death. Eligibility is based upon hire date and retirement at the age of 65 or retirement based on the rule of 85.

Obligation and funded status – The amount of benefits to be paid depends on a number of future events incorporated into a formula, including estimates of the life expectancy of employees/survivors, years of service rendered, and future interest rates.

The accumulated benefit obligation represents the present value of all future benefits attributed to employee service rendered prior to the measurement date and does not include changes in future compensation. For postretirement benefit plans, the benefit obligation is the accumulated benefit obligation.

Note 8 – Employee Benefit Plans

Obligation and funded status (continued)

The following table summarizes the benefit obligation, the fair market value of assets, and the funded status as of December 31, 2012 and 2011, for the retiree health plan:

	2012	2011
Change in benefit obligation		
Benefit obligation, beginning of year	$ 2,387,114	$ 2,404,585
Service cost	86,748	85,001
Interest cost	108,640	128,177
Benefits paid	(116,780)	(105,556)
Actuarial gain	(174,930)	(125,093)
Benefit obligation, end of year	2,290,792	2,387,114
Change in plan assets		
Fair value, beginning of year	712,865	686,471
Actuarial return on plan assets	106,930	26,394
Fair value, end of year	819,795	712,865
Funded status	$ 1,470,997	$ 1,674,249

The Cooperative has adopted the Compensation-Retirement Benefits Topic of the FASB ASC that addresses improvements in financial reporting by recognizing the funded status of a defined postretirement plan as an asset or liability on the balance sheet, and to recognize subsequent changes in that funded status. The Cooperative is partially funding the obligation. There is, at present, no policy for fully funding the plan.

Management has elected to amortize the initial obligation, past service liabilities, and cumulative actuarial gains and losses over a 20-year period. Amortization included in the periodic postretirement benefit cost totaled $17,213 and $16,397, respectively, for the years ended December 31, 2012 and 2011. At December 31, 2012, accumulated other comprehensive income of $52,152 consists of unamortized gains. The estimated net gain that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year is $7,948.

Note 8 – Employee Benefit Plans

Obligation and funded status (continued)

The following amounts included are not yet reflected in the net periodic benefit cost and are included in accumulated other comprehensive income (loss) for December 31:

	2012	2011
Accumulated gain (loss)	$ 52,152	$ (48,606)
Transition obligation	-	(25,161)
Net amount reported as a(n) increase (reduction) to equity	$ 52,152	$ (73,767)

Other plan information – The following table provides the net periodic benefit cost at December 31:

	2012	2011
Net periodic pension cost	$ 105,671	$ 233,748

The periodic benefit cost is the amount recognized in the financial statements as the cost of the plan for the year. Components of the net periodic benefit cost are service cost, interest cost, actual return on plan assets, and amortization of unrecognized gains/losses, prior service cost, and initial obligation.

Estimated future benefit payments, which reflect expected future services as appropriate, are as follows:

2013	$ 181,009
2014	190,059
2015	199,562
2016	209,540
2017	220,017
2018 through 2022	1,276,520

Note 8 – Employee Benefit Plans

Other plan information (continued)

At December 31, the assumptions used in the measurement of the Cooperative's benefit obligation are shown in the following table:

	Percent	
Weighted average assumptions as of December 31	2012	2011
Expected return on Plan assets	7.65	7.65
Discount rate	5.00	5.50
Rate of compensation increase	3.00	3.00

A 6% annual rate of increase in the per capita cost of covered healthcare premiums was assumed to decline by 0.50% over the next two years until it reaches a level of 5% per year. Increasing the assumed healthcare cost trend rate by 1% each year will increase the accumulated postretirement benefit obligation as of December 31, 2012, by approximately $54,424 and the aggregate of the service and interest cost components of the periodic postretirement benefit cost for the year then ended by approximately $7,189.

Plan assets – Plan assets are managed by NTCA. Equity securities primarily include investments in large-cap companies located in the United States and internationally. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and United States treasuries. Other types of investments include real estate investment trusts and private equity funds that follow several different strategies.

NTCA makes all investment decisions for the program with the help of the investment management and consulting firm, Wilshire Associates. The trust committee makes investment decisions, which begin with a review of the assets and liabilities of potential investments and then makes their final decision based upon obtaining the rate of return consistent with program needs.

The fair value of the Cooperative's plan assets at December 31, 2012 by asset category are as follows:

Asset Type	Percentage of Plan Assets	Amount	Hierarchy Level
Domestic equities	23%	$ 188,550	1
International equities	32%	262,335	1
Private equities	10%	81,980	2
Fixed income	15%	122,970	2
Real estate	10%	81,980	2
High-yield fixed income	10%	81,980	2

Note 9 – Patronage Capital

The Cooperative is a non-stock cooperative organized to provide local telephone service to its patrons. Revenues from patrons in excess of the cost of providing service on an annual basis is, by contract with the patron, considered a contribution of capital to the cooperative and is allocated to patrons on the basis of their total patronage. Margins received from sale of goods or services other than telephone service are nonoperating and are credited to patron accounts after losses are recovered. Operating losses are not allocated to patrons. Capital accounts are repayable to patrons or their successors only at the discretion of the Board of Directors provided, however, that the financial condition of the cooperative is not impaired. During 2012, patronage capital assigned was reduced by $378,875 with $367,812 that was returned to patrons and $11,063 was retained by the Company as a result of discounting early patronage distributions. During 2011, Patronage Capital Assigned was reduced by $390,438 with $368,987 that was returned to patrons and $21,451 was retained by the Company as a result of discounting early patronage distributions.

Note 10 – Revenue

Wireline and miscellaneous operating revenues consist of the following for the years ending December 31:

	2012	2011
Wireline		
Customer	$ 5,781,577	$ 5,897,196
Intercarrier		
Interstate	6,187,980	6,028,915
Intrastate	2,162,269	1,362,207
Universal Service support - federal	1,310,783	1,369,436
Universal Service support - state	1,038,714	1,038,714
Total wireline revenues	16,481,323	15,696,468
Miscellaneous		
Equipment sales, leasing, and installation	304,960	362,220
Directory	278,130	285,611
Rent	82,120	88,676
Other	871,993	963,959
Uncollectible	26,574	(120,270)
	$ 1,563,777	$ 1,580,196

Note 10 – Revenue (continued)

Wireline revenues consist of the following:

- Customer revenues include end user charges, such as the subscriber line charge, Federal Universal Service Charge, and ARC.
- Universal Service support includes the amounts received from USF for HCLS, LSS, ICLS, CAF, and Utah Universal Service.
- All access charge and settlement revenue, except as described above, is classified as intercarrier revenue.

Note 11 – Guaranteed or Related Party Debt

UFN is a facilities-based communications service provider in Utah. The Company's equity ownership of UFN was approximately 19.3% at December 31, 2012 and 2011. The Company guaranteed a portion of the debt of UFN related to a promissory note that was used to purchase switching and other equipment for its state-wide fiber network. This is an amortizing note, paid quarterly, with its final payment due January 20, 2015. Debt guaranteed by the Company on behalf of UFN at December 31, 2012 and 2011 amounted to approximately $120,640 and $206,894, respectively.

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS ON CONSOLIDATING INFORMATION

To the Board of Directors
Emery Telcom

We have audited the consolidated financial statements of Emery Telcom and subsidiaries as of the year ended December 31, 2012, and our report thereon dated April 12, 2013, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The following consolidating information is presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations, and cash flows of the individual companies.

Moss Adams LLP

Overland Park, Kansas
April 12, 2013

EMERY TELCOM AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2012

ASSETS

	Emery Telcom	Carbon/Emery Telcom	Hanksville Telcom	Emery Telcom & Video	Emery Telcom Long Distance	Emery Telcom Video, LLC	Emery Telcom Holding Company	Emery Telcom Wireless	Eliminations	Consolidated
CURRENT ASSETS										
Cash and cash equivalents	$ 709,392	$ 757,009	$ (260,666)	$ 10,109,898	$ 1,352,349	$ (9,599,020)	$ (3,044)	$ (665,928)	$ -	$ 2,399,990
Accounts receivable	650,139	1,287	8	49,087	-	3,785	-	-	-	904,306
Materials and supplies	251,190	500,282	-	159,199	-	7,483	-	-	-	918,154
Prepaid income taxes			-	517,054	-	-	-	-	-	517,054
Prepaid exepenses and other current assets	399,924	125,985	8,505	113,578	-	31,156	-	-	-	479,148
Total current assets	2,010,645	1,384,563	(252,153)	10,948,816	1,352,349	(9,556,596)	(3,044)	(665,928)	-	5,218,652
NONCURRENT ASSETS										
Investments	118,299	1,005,486	7,426	148,792	-	45,817	-	-	-	1,325,820
Invesment in affiliated companies	13,757,800		-	60,641	5,605	1,712	18,261,800	-	(32,087,558)	-
Notes receivable, affiliates	-			-	225,582	-	-	-	(225,582)	-
Goodwill	-		-	392,968	-	1,984,791	-	-	-	2,377,759
Intangible assets	-	-	-	483,659	-	-	-	-	-	483,659
Deferred charges	29,598	72,547		345,864	-	-	-	-	-	448,009
Total noncurrent assets	13,905,697	1,078,033	7,426	1,431,924	231,187	2,032,320	18,261,800	-	(32,313,140)	4,635,247
PROPERTY, PLANT AND EQUIPMENT										
Regulated telecommunications plant in service	22,651,663	48,349,055	1,521,503	-	-	-	-	-	-	72,522,221
Regulated telecommunications plant under construction	795,481	220,663	-	-	-	-	-	-	-	1,016,144
Nonregulated telecommunciations plant in service	-	-	-	7,371,074	-	8,213,594	-	-	-	15,584,668
Nonregualted telecommunications plant under construction	-	-	-	495,423	-	14,010	-	-	-	509,433
Total regulated property, plant and equipment	23,447,144	48,569,718	1,521,503	7,866,497	-	8,227,604	-	-	-	89,632,466
Less accumulated depreciation	(17,165,118)	(33,555,817)	(1,427,781)	(3,188,485)		(1,513,221)	-	-	-	(56,850,422)
Net regulated property, plant and equipment	6,282,026	15,013,901	93,722	4,678,012		6,714,383	-	-	-	32,782,044
	$ 22,198,368	$ 17,476,497	$ (151,005)	$ 17,058,752	$ 1,583,536	$ (809,893)	$ 18,258,756	$ (665,928)	$ (32,313,140)	$ 42,635,943

EMERY TELCOM AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2012

LIABILITIES AND MEMBERS' EQUITY

	Emery Telcom	Carbon/Emery Telcom	Hanksville Telcom	Emery Telcom & Video	Emery Telcom Long Distance	Emery Telcom Video, LLC	Emery Telcom Holding Company	Emery Telcom Wireless	Eliminations	Consolidated
CURRENT LIABILITIES										
Current maturities, notes payable	$	$	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Accounts payable	1,027,239	44,568	3,387	16,964	14,581	268,548	-	-	-	1,375,287
Advance billings and customer deposits	57,199	-	-	60,641	5,605	1,712	-	-	(67,958)	57,199
Accrued income tax	2,892	-	-	-	-	-	-	-	-	2,892
Other current liabilities	315,575	33,600	-	9,428	-	11,163	-	-	-	369,766
Total current liabilities	1,402,905	78,168	3,387	87,033	20,186	281,423	0	-	(67,958)	1,805,144
LONG-TERM DEBT										
Notes payable	-	2,000,000	-	-	-	-	-	-	-	2,000,000
Notes payable, affiliates	-	-	225,582	-	-	-	-	-	(225,582)	-
Less: Current maturities	-	-	-	-	-	-	-	-	-	-
Total long-term debt	-	2,000,000	225,582	-	-	-	-	-	(225,582)	2,000,000
OTHER LIABILITIES										
Deferred credits	-	-	-	-	-	581,188	-	-		581,188
Deferred income tax	-	1,794,845	(16,389)	1,119,332	-	1,083,593	-	(2)	-	3,981,379
Postretirement benefit obligation	1,470,997	-	-	-	-	-	-	-	-	1,470,997
Total other liabilities and deferred credits	1,470,997	1,794,845	(16,389)	1,119,332	-	1,664,781	-	(2)	-	6,023,564
MEMBERS' EQUITY (DEFICIT)										
Membership certificates	126,256	1,000	1,000	1,000	1,000		1,000	1,000	(6,000)	126,256
Patronage capital assignable	21,119	-	-	-			-	-	-	21,119
Patronage capital assigned	16,742,012	-	-	-			-	-	(67,958)	16,674,054
Additional paid-in capital	-	18,000,000	-	256,800	-		13,756,800	-	(32,013,600)	-
Accumulated other comprehensive income	52,152	-	-	-	-		-	-	-	52,152
Retained earnings (deficits)	2,382,927	(4,397,516)	(364,585)	15,594,587	1,562,350	(2,756,097)	4,500,956	(666,926)	67,958	15,923,654
Total members' equity	19,324,466	13,603,484	(363,585)	15,852,387	1,563,350	(2,756,097)	18,258,756	(665,926)	(32,019,600)	32,797,235
	$ 22,198,368	$ 17,476,497	$ (151,005)	$ 17,058,752	$ 1,583,536	$ (809,893)	$ 18,258,756	$ (665,928)	$ (32,313,140)	$ 42,635,943

EMERY TELCOM AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2012

	Emery Telcom	Carbon/Emery Telcom	Hanksville Telcom	Emery Telcom & Video	Emery Telcom Long Distance	Emery Telcom Video, LLC	Emery Telcom Holding Company	Emery Telcom Wireless	Eliminations	Consolidated
OPERATING REVENUE										
Wireline	$ 4,170,688	$ 8,016,757	$ 102,115	$ 4,833,526	$ 683,625	$ -	$ -	$ -	$ (1,325,388)	$ 16,481,323
Television	-	-	-	-	-	3,039,760	-	-	(50,179)	2,989,581
Internet	-	-	-	3,124,987	-	965,594	-	-	(11,192)	4,079,389
Miscellaneous revenue	467,136	269,870	657	927,161	4,109	221,635	-	-	(326,791)	1,563,777
Net operating revenue	4,637,824	8,286,627	102,772	8,885,674	687,734	4,226,989	-	-	(1,713,550)	25,114,070
OPERATING EXPENSE										
Plant specific operations expense	1,256,839	2,078,036	39,668	-	-	-	-	-	(112,161)	3,262,382
Plant nonspecific operations expense	419,977	652,977	4,425	-	-	-	-	-	-	1,077,379
Depreciation and amortization expense	1,387,578	2,795,384	20,775	781,560	-	529,205	-	97,716	-	5,612,218
Customer operations expense	655,288	764,287	10,640	-	-	-	-	-	(84,951)	1,345,264
Corporate operations expense	816,134	1,030,699	17,455	-	-	-	-	-	(252)	1,864,036
Other operating tax	71,749	112,720	1,956	-	-	-	-	-	-	186,425
Nonregulated	-	-	-	2,806,032	452,063	4,453,976	-	130,051	(1,496,321)	6,345,801
Total operating expense	4,607,565	7,434,103	94,919	3,587,592	452,063	4,983,181	-	227,767	(1,693,685)	19,693,505
OPERATING MARGIN	30,259	852,524	7,853	5,298,082	235,671	(756,192)	-	(227,767)	(19,865)	5,420,565
OTHER INCOME AND (EXPENSE)										
Interest and dividend income	37	129	-	-	8,981	-	-	-	(8,918)	229
Interest expense	(201)	(55,105)	(8,918)	-	-	5,404	-	-	8,918	(49,902)
Allowance for funds used during construction	-	10,866	-	-	-	-	-	-	-	10,866
Gain (loss) on investments	-	-	-	66,424	-	(322,684)	-	(512,435)	-	(768,695)
Other income (expense)	(122)	621	-	-	60	(2,179)	-	(106)	19,865	18,139
Total other income	(286)	(43,489)	(8,918)	66,424	9,041	(319,459)	-	(512,541)	19,865	(789,363)
NET MARGIN BEFORE INCOME TAXES	29,973	809,035	(1,065)	5,364,506	244,712	(1,075,651)	-	(740,308)	-	4,631,202
Income Taxes	-	303,735	(382)	2,004,933	91,278	(389,159)	-	(275,402)	-	1,735,003
NET MARGIN	29,973	505,300	(683)	3,359,573	153,434	(686,492)	-	(464,906)	-	2,896,199
OTHER COMPREHENSIVE INCOME										
Change in postretirement benefit obligation	125,919	-	-	-	-	-	-	-	-	125,919
TOTAL COMPREHENSIVE INCOME	$ 155,892	$ 505,300	$ (683)	$ 3,359,573	$ 153,434	$ (686,492)	$ -	$ (464,906)	$ -	$ 3,022,118

EMERY TELCOM AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
YEAR ENDED DECEMBER 31, 2011

ASSETS

	Emery Telcom	Carbon/Emery Telcom	Hanksville Telcom	Emery Telcom & Video	Emery Telcom Long Distance	Emery Telcom Video, LLC	Emery Telcom Holding Company	Emery Telcom Wireless	Eliminations	Consolidated
CURRENT ASSETS										
Cash and cash equivalents	$ 604,173	$ 99,978	$ (223,773)	$ 7,099,224	$ 1,141,421	$ (7,275,709)	$ 10,552	$ (1,445,965)	$ -	$ 9,901
Accounts receivable	601,951	(16,939)	-	43,657	-	176,980	-	-	-	805,649
Materials and supplies	401,135	218,845	-	128,328	-	111,511	-	-	-	859,819
Prepaid income taxes	-	-	-	600,184	-	-	-	-	-	600,184
Prepaid exepenses and other current assets	115,289	131,242	7,903	122,107	-	37,158	-	1,725	-	415,424
Total current assets	1,722,548	433,126	(215,870)	7,993,500	1,141,421	(6,950,060)	10,552	(1,444,240)	-	2,690,977
NONCURRENT ASSETS										
Investments	135,274	981,344	7,426	71,953	-	204,940	-	-	-	1,400,937
Invesment in affiliated companies	13,757,800	-	-	60,158	5,635	1,752	18,261,800	-	(32,087,145)	-
Notes receivable, affiliates	-	-	-	-	282,368	-	-	-	(282,368)	-
Goodwill	-	-	-	392,968	-	1,984,791	-	-	-	2,377,759
Intangible assets	-	-	-	483,659	-	-	-	-	-	483,659
Deferred charges	50,271	99,788	-	377,439	-	-	-	-	-	527,498
Total noncurrent assets	13,943,345	1,081,132	7,426	1,386,177	288,003	2,191,483	18,261,800	-	(32,369,513)	4,789,853
PROPERTY, PLANT AND EQUIPMENT										
Regulated telecommunications plant in service	22,851,239	47,693,420	1,521,502	-	-	-	-	-	-	72,066,161
Regulated telecommunications plant under construction	208,610	431,138	-	-	-	-	-	-	-	639,748
Nonregulated telecommuncitations plant in service	-	-	-	6,551,427	-	7,197,021	-	1,272,033	-	15,020,481
Nonregualted telecommunications plant under construction	-	-	-	236,193	-	832,460	-	-	-	1,068,653
Total property, plant and equipment	23,059,849	48,124,558	1,521,502	6,787,620	-	8,029,481	-	1,272,033	-	88,795,043
Less accumulated depreciation	(16,335,178)	(30,961,420)	(1,407,006)	(2,517,543)	-	(1,111,394)	-	(47,235)	-	(52,379,776)
Net property, plant and equipment	6,724,671	17,163,138	114,496	4,270,077	-	6,918,087	-	1,224,798	-	36,415,267
	$ 22,390,564	$ 18,677,396	$ (93,948)	$ 13,649,754	$ 1,429,424	$ 2,159,510	$ 18,272,352	$ (219,442)	$ (32,369,513)	$ 43,896,097

EMERY TELCOM AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
YEAR ENDED DECEMBER 31, 2011

LIABILITIES AND MEMBERS' EQUITY

	Emery Telcom	Carbon/Emery Telcom	Hanksville Telcom	Emery Telcom & Video	Emery Telcom Long Distance	Emery Telcom Video, LLC	Emery Telcom Holding Company	Emery Telcom Wireless	Eliminations	Consolidated
CURRENT LIABILITIES										
Current maturities, notes payable	$ -	$ -	$ -	$ -	$ -	$ 560,000	$ -	$ -	$ -	$ 560,000
Accounts payable	950,745	167,650	2,924	9,930	13,873	508,128	13,596	-	-	1,666,846
Advance billings and customer deposits	52,050	-	-	60,158	5,635	1,752	-	-	(67,545)	52,050
Accrued income tax	2,892	-	-	-	-	-	-	-	-	2,892
Other current liabilities	176,996	62,468	-	39,802	-	35,490	-	-	-	314,756
Total current liabilities	1,182,683	230,118	2,924	109,890	19,508	1,105,370	13,596	-	(67,545)	2,596,544
LONG-TERM DEBT										
Notes payable	-	3,536,732	-	-	-	2,240,000	-	-	-	5,776,732
Notes payable, affiliates	-	-	282,368	-	-	-	-	-	(282,368)	-
Less: Current maturities	-	-	-	-	-	(560,000)	-	-	-	(560,000)
Total long-term debt	-	3,536,732	282,368	-	-	1,680,000	-	-	(282,368)	5,216,732
OTHER LIABILITIES										
Deferred credits	-	-	-	-	-	670,013	-	-	-	670,013
Deferred income tax	-	1,812,363	(16,337)	1,047,050	-	773,732	-	(18,422)	-	3,598,386
Postretirement benefit obligation	1,674,249	-	-	-	-	-	-	-	-	1,674,249
Total other liabilities and deferred credits	1,674,249	1,812,363	(16,337)	1,047,050	-	1,443,745	-	(18,422)	-	5,942,648
MEMBERS' EQUITY										
Membership certificates	126,256	1,000	1,000	1,000	1,000	-	1,000	1,000	(6,000)	126,256
Patronage capital assignable	315,749	-	-	-	-	-	-	-	-	315,749
Patronage capital assigned	16,802,383	-	-	-	-	-	-	-	(67,545)	16,734,838
Additional paid-in capital	-	18,000,000	-	256,800	-	-	13,756,800	-	(32,013,600)	-
Accumulated other comprehensive loss	(73,767)	-	-	-	-	-	-	-	-	(73,767)
Retained earnings	2,363,011	(4,902,817)	(363,903)	12,235,014	1,408,916	(2,069,605)	4,500,956	(202,020)	67,545	13,037,097
Total members' equity	19,533,632	13,098,183	(362,903)	12,492,814	1,409,916	(2,069,605)	18,258,756	(201,020)	(32,019,600)	30,140,173
	$ 22,390,564	$ 18,677,396	$ (93,948)	$ 13,649,754	$ 1,429,424	$ 2,159,510	$ 18,272,352	$ (219,442)	$ (32,369,513)	$ 43,896,097

EMERY TELCOM AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2011

	Emery Telcom	Carbon/Emery Telcom	Hanksville Telcom	Emery Telcom & Video	Emery Telcom Long Distance	Emery Telcom Video, LLC	Emery Telcom Holding Company	Emery Telcom Wireless	Eliminations	Consolidated
OPERATING REVENUE										
Wireline	$ 4,285,498	$ 7,919,195	$ 103,146	$ 4,192,550	$ 800,217	$ -	$ -	$ -	$ (1,604,138)	$ 15,696,468
Television	-	-	-	-	-	3,237,834	-	-	(42,363)	3,195,471
Internet	-	-	-	3,168,565	-	687,895	-	-	(10,560)	3,845,900
Miscellaneous revenue	517,834	291,244	1,345	1,112,431	-	42,984	-	-	(385,642)	1,580,196
Net operating revenue	4,803,332	8,210,439	104,491	8,473,546	800,217	3,968,713	-	-	(2,042,703)	24,318,035
OPERATING EXPENSE										
Plant specific operations expense	1,302,010	2,301,448	43,135	-	-	-	-	-	(107,714)	3,538,879
Plant nonspecific operations expense	389,326	659,264	4,856	-	-	-	-	-		1,053,446
Depreciation and amortization expense	1,198,617	2,649,272	14,884	661,424	-	421,739	-	47,235		4,993,171
Customer operations expense	671,096	683,518	10,323	-	-	-	-	-	(95,287)	1,269,650
Corporate operations expense	828,600	984,614	17,248	-	-	-	-	-	(5,944)	1,824,518
Other operating tax	75,708	117,099	2,320	-	-	-	-	-	-	195,127
Nonregulated	-	-		3,357,046	578,893	4,508,556	-	276,137	(1,823,104)	6,897,528
Total operating expense	4,465,357	7,395,215	92,766	4,018,470	578,893	4,930,295	-	323,372	(2,032,049)	19,772,319
OPERATING MARGIN	337,975	815,224	11,725	4,455,076	221,324	(961,582)	-	(323,372)	(10,654)	4,545,716
OTHER INCOME AND (EXPENSE)										
Interest and dividend income	345	785	-	1,002	14,740	-	-	-	(14,570)	2,302
Interest expense	(469)	(319,725)	(14,526)	(2,483)		(1,336)	-	-	14,570	(323,969)
Allowance for funds used during construction	-	-	-				-	-		-
Gain (loss) on investments	-	-	-	41,307		(94,784)	-	-	960	(52,517)
Other income (expense)	-	995	-	(1,249)	-	(1,817)	-	-	9,694	7,623
Total other expense	(124)	(317,945)	(14,526)	38,577	14,740	(97,937)	-	-	10,654	(366,561)
NET MARGIN BEFORE INCOME TAXES	337,851	497,279	(2,801)	4,493,653	236,064	(1,059,519)	-	(323,372)	-	4,179,155
Income taxes	4,452	203,182	(878)	1,675,555	88,137	(377,973)	-	(121,352)	-	1,471,123
NET MARGIN	333,399	294,097	(1,923)	2,818,098	147,927	(681,546)	-	(202,020)	-	2,708,032
OTHER COMPREHENSIVE INCOME										
Change in postretirement benefit obligation	172,481	-	-	-	-			-	-	172,481
TOTAL COMPREHENSIVE INCOME	$ 505,880	$ 294,097	$ (1,923)	$ 2,818,098	$ 147,927	$ (681,546)	$ -	$ (202,020)	$ -	$ 2,880,513

Communication with Those Charged with Corporate Governance Under US Auditing Standards (AU-C Sections 260 and 265)

Our responsibility under US Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Sensitive accounting estimates

- Rates and allocation bases on affiliate transactions and intercompany cost allocations
- Depreciation
- Part 64 adjustments
- Estimates inherent to indefinite-life asset impairment testing

Difficulties in performing the audit

None

Corrected and uncorrected misstatements

See attached lists.

Disagreements with management

None

Management representations

We have requested certain representations from management that are included in the management representation letter dated as of the report date.

Management consultations with other independent accountants

None

Other findings or issues

None

Governance communication information

Discussed verbally with: Board of Directors at April Board Meeting

Date of discussion: Bill Warinner delivered to Board on April 25, 2013