

USDA-RUS

**OPERATING REPORT FOR
TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

Hood Canal Telephone Co., Inc.

PERIOD ENDING

December, 2014

INSTRUCTIONS- See RUS Bulletin 1744-2

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

| ITEM | PRIOR YEAR | THIS YEAR |
|--|------------------|------------------|
| 1. Local Network Services Revenues | 186,459 | 185,015 |
| 2. Network Access Services Revenues | 1,639,561 | 1,645,250 |
| 3. Long Distance Network Services Revenues | | |
| 4. Carrier Billing and Collection Revenues | 1,743 | 377 |
| 5. Miscellaneous Revenues | 21,041 | 20,660 |
| 6. Uncollectible Revenues | (1,393) | (1,798) |
| 7. Net Operating Revenues (1 thru 5 less 6) | 1,850,197 | 1,853,100 |
| 8. Plant Specific Operations Expense | 1,179,803 | 1,248,392 |
| 9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization) | 147,341 | 127,367 |
| 10. Depreciation Expense | 207,362 | 373,431 |
| 11. Amortization Expense | | 6,560 |
| 12. Customer Operations Expense | 623,299 | 657,386 |
| 13. Corporate Operations Expense | 791,647 | 792,919 |
| 14. Total Operating Expenses (8 thru 13) | 2,949,452 | 3,206,055 |
| 15. Operating Income or Margins (7 less 14) | (1,099,255) | (1,352,955) |
| 16. Other Operating Income and Expenses | | |
| 17. State and Local Taxes | 102,338 | 116,726 |
| 18. Federal Income Taxes | | |
| 19. Other Taxes | | |
| 20. Total Operating Taxes (17+18+19) | 102,338 | 116,726 |
| 21. Net Operating Income or Margins (15+16-20) | (1,201,593) | (1,469,681) |
| 22. Interest on Funded Debt | 69,836 | 74,505 |
| 23. Interest Expense - Capital Leases | | |
| 24. Other Interest Expense | 23,126 | 4,880 |
| 25. Allowance for Funds Used During Construction | | |
| 26. Total Fixed Charges (22+23+24-25) | 92,962 | 79,385 |
| 27. Nonoperating Net Income | 14,765 | 13,146 |
| 28. Extraordinary Items | | |
| 29. Jurisdictional Differences | | |
| 30. Nonregulated Net Income | 1,589,627 | 1,861,557 |
| 31. Total Net Income or Margins (21+27+28+29+30-26) | 309,837 | 325,637 |
| 32. Total Taxes Based on Income | | |
| 33. Retained Earnings or Margins Beginning-of-Year | 3,694,899 | 4,004,736 |
| 34. Miscellaneous Credits Year-to-Date | | |
| 35. Dividends Declared (Common) | | |
| 36. Dividends Declared (Preferred) | | |
| 37. Other Debits Year-to-Date | | |
| 38. Transfers to Patronage Capital | | |
| 39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)] | 4,004,736 | 4,330,373 |
| 40. Patronage Capital Beginning-of-Year | | |
| 41. Transfers to Patronage Capital | | |
| 42. Patronage Capital Credits Retired | | |
| 43. Patronage Capital End-of-Year (40+41-42) | 0 | 0 |
| 44. Annual Debt Service Payments | 355,110 | 352,825 |
| 45. Cash Ratio [(14+20-10-11) / 7] | 1.5374 | 1.5880 |
| 46. Operating Accrual Ratio [(14+20+26) / 7] | 1.6997 | 1.8359 |
| 47. TIER [(31+26) / 26] | 4.3329 | 5.1020 |
| 48. DSCR [(31+26+10+11) / 44] | 1.7182 | 2.2249 |