

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 30, 2014
TO: Dorothy E. Menasco, Commission Deputy Clerk II, Office of Commission Clerk
FROM: Gregory D. Fogleman, Economic Analyst, Office of Telecommunications
RE: Please file the attached documents in Docket 140119-TP

Please file the attached documents with corresponding email for ITS Telecommunications Systems, Inc. in Docket 140119-TP entitled, **"2015 State certification § 54.313 and §54.314, annual reporting requirements for high-cost recipients, and certification of support for eligible telecommunications carriers."**

Based on the phone conversation on July 9, 2014 between myself, Beth Salak, and Donna Marreel (ITS Telecom), the attached document attached to Ms. Marreel's e-mail was **NOT CONFIDENTIAL**. *

If you have any questions, please feel free to give me a call. Thank you for your assistance.

Enclosure

RECEIVED-FPSC
14 JUL 30 PM 4:45
COMMISSION
CLERK

* Highlighting added
by D. Menasco.
7/30/14

Greg Fogleman

From: Beth Salak
Sent: Wednesday, July 09, 2014 10:51 AM
To: Greg Fogleman; Curtis Williams; Bob Casey; Mark Long
Subject: FW: Dkt. 140119-TP ITS Telecommunications PDF Files for Certification of ETC
Attachments: DKT 140119-TP ITSTelecommunications' PDF Files for the 5 Year Plan.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

From: Donna Marreel [<mailto:donnam@itstelecom.net>]
Sent: Wednesday, July 09, 2014 10:49 AM
To: Beth Salak
Subject: Dkt. 140119-TP ITS Telecommunications PDF Files for Certification of ETC

Beth,

Attached please find the omitted pdf Files for ITS' 5 Year Plan. Again, I apologize for creating a delay.

Thank you,

Donna J. Marreel

ITSTelecom
Always here. Always clear.

Donna J. Marreel / Regulatory Manager

Tel: 772.597.3161

Fax: 772.597.1139

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www.facebook.com/itstelecommunications

**CONFIDENTIAL
NOT FOR PUBLIC INSPECTION**

**Five-Year Network Improvement Plan
For ITS Telecommunications Systems, Inc.**

In its *USF/ICC Transformation Order* and subsequent Orders, the Federal Communications Commission (“FCC” or “Commission”) requires Eligible Telecommunications Carriers (“ETCs”) to submit a five-year build-out plan in a manner consistent with Section 54.202(a)(1)(ii) of the Commission’s Rules by July 1, 2014 and to submit annual progress reports thereafter.¹ Section 54.202(a)(1)(ii) states in part that ETCs are to “[s]ubmit a five-year plan that describes with specificity proposed improvements or upgrades to the [ETC’s] network throughout its proposed service area. Each [ETC] shall estimate the area and population that will be served as a result of the improvements”²

In its *March 5, 2013 Order*, the FCC specified that for rate-of-return carriers, the five-year plans “should describe the carrier’s network improvement plan, which should provide greater visibility into current plans to extend broadband service to unserved locations in rate-of-return service territories.”³ ITS Telecommunications Systems, Inc.

¹ See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-61 (rel. Nov. 18, 2011) (*USF/ICC Transformation Order*) at Para. 587; pets. for review denied, *Direct Comm. Cedar Valley, et al v. FCC*, No. 11-9900, www.ca10.uscourts.gov/opinions/11/11-9900.pdf (10th Cir. May 23, 2014); see also *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Order, DA 12-147 (rel. Feb. 12, 2012) at Para. 5 (amending Section 54.313(a)(1) to clarify this requirement); *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Third Order on Reconsideration, FCC 12-52 (rel. May 14, 2012) at Para. 10 (changing the filing deadline for the annual reports from April 1 to July 1); *Connect America Fund et al.*, WC Docket 10-90 *et al.*, Order, DA 13-332 (rel. Mar. 5, 2013) (“*March 5, 2013 Order*”) at Para’s. 4, 6-9. Delaying Five Year Plan until July 1, 2014 see WC Docket No. 10-90, Order, DA 13-1115, Para. 8 (released May 16, 2013).

² 47 C.F.R. § 54.202(a)(1)(ii).

³ *March 5, 2013 Order* at Para. 9 citing Section 54.202(a)(1)(ii).

("ITS Telecom") is a rate-of-return carrier ETC and hereby submits its five-year network improvement plan.

I. The Challenges Faced by the Company in Providing Voice and Broadband to its Rural Service Area

A. Description of the Company and its Service Area

ITS Telecommunications Systems, Inc., DBA, ITS Telecom is an Incumbent Local Exchange Carrier that has been providing telephony services in the rural area of Indiantown, Florida since the 1930s. They served approximately 300 customers. In 1956, ITS Telecom installed a 100-line automatic switchboard and copper cable was laid throughout the town's platted areas. By 1970, ITS Telecom accumulated 1,400 subscribers and 2,500 telephones in its 306 square mile territory. More underground copper cable was installed.

ITS Telecom moved into the digital age of telephony in 1989 by installing a state-of-the-art multi-million dollar 2,300-line digital telephone switch. The company also became the first telephone central office in the USA to use the new Siemens Vision One Up digital enhancement technology in 1996.

The year 2006 started a new phase of technology for ITS Telecom as plans were created to equip every dwelling in the service area with **fiber-to-the-home**. With the growing of our technology, ITS upgraded to a Metaswitch Model VP2510 state-of-the-art soft switch and an upgraded router system in 2008. With the improvements to our switch, routers and other electronics along with the fiber overbuild project, ITS Telecom would be able to offer higher internet speeds of 6 Mbps to over 100 Mbps. This overbuild will also allow us to offer better telephone service without many troubles. The

company's FTTP construction project began in 2010. Our first 360 customers on the fiber optics were turned up in December, 2010. ITS Telecom currently has FTTP services available to 75% of its residents and businesses in their service area. The company continues to install upgrades to their telephone systems by upgrading such services as voice mail, mass announcement, conference bridging, etc.

As demand for higher bandwidth grows and the constant changing of technology, ITS Telecom, being the ETC, feels obligated to provide the most up-to-date services in both telephony and broadband (internet) to our customers and have made large capital investments over the years to provide quality service that is comparable to services found in the larger urban areas. The reality is that the technology is very expensive and there is very little potential of our customer base growing in our rural area. With an estimated per capita income of \$10,746 in the Indiantown service area, ITS Telecom is not able to finance these very expensive projects without obtaining a RUS Loan and without USF support.

B. The Exchanges Contained Within the Company's Study Area

ITS Telecom serves the combined exchange area(s) of:

772-597	

II. The Company Has Used and Will Use Universal Service Support Only For the Intended Purposes

Section 254(e) of the Communications Act of 1934, as amended requires ETCs to use Universal Service support ("USF") "only for the provision, maintenance, and

upgrading of facilities and services for which the support is intended.”⁴ Pursuant to Section 54.314 of the FCC’s rules, in order for state-designated ETCs to receive USF for the coming year, states must annually file certifications by October 1 stating that all federal high-cost support provided to such carriers within the state “was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”⁵ ETCs not designated by a state must file similar certifications with the FCC.⁶

In its *USF/ICC Transformation Order*, the FCC clarified that prior to making the Section 254(e) certifications, states should conduct a “rigorous examination of the factual information” contained in the annual Section 54.313 reports, of which the five year network improvement plan and annual progress reports are a part, in determining whether they can certify that carriers’ support has been used and will be used only for the purpose for which the support was intended.⁷ The FCC said that it would also use the reports to verify certifications filed by ETCs that are not state-designated.⁸ In this context, the Commission stated, “[i]n light of the public interest obligations we adopt in this Order, a key component of this [Section 254(e)] certification will now be that support is being used to maintain and extend modern networks capable of providing voice and broadband service.”⁹

⁴ 47 U.S.C. § 254(e).

⁵ 47 C.F.R. § 54.314(a).

⁶ 47 C.F.R. § 54.314(b).

⁷ See *USF/ICC Transformation Order* at Para. 612.

⁸ *Id.*

⁹ *Id.* (emphasis supplied).

Essentially, under the existing rules and processes, the federal USF received by ITS Telecom and other incumbent rural telephone companies are, in fact, an integral part of the recovery of expenditures of rural incumbent local exchange carriers incurred in the provision, maintenance and upgrading of their provision of facilities and services for which the USF is intended. ITS Telecom depends upon its receipt and utilization of federal universal service support to provide rural telephone customers with affordable and quality voice and broadband services.

Accordingly, given the critical role the network improvement plan and the progress reports will have in the annual Section 254(e) certification process, ITS Telecom's plan and progress reports will demonstrate not only how the ITS Telecom has used and will use USF not only for improvements and upgrades, but also for the provision and maintenance of the facilities and services to which the support was intended.

III. The Company's Five-Year Network Improvement Plan

When the Commission adopted its five-year plan requirements for FCC-designated ETCs in its *2005 ETC Order*, it set forth the following criteria as to how the ETC is to describe with "specificity" the proposed improvements or upgrades to the ETC's network throughout its service area:

- (1) how signal quality, coverage, or capacity will improve due to the receipt of high-cost support throughout the area for which the ETC seeks designation;
- (2) the projected start date and completion date for each improvement and the estimated amount of investment for each project that is funded by high-cost support;
- (3) the specific geographic areas where the

improvements will be made; and (4) the estimated population that will be served as a result of the improvements.¹⁰

In that order, the FCC clarified that service quality improvements in the five-year plan “do not necessarily require additional construction of network facilities.”¹¹ Accordingly, the improvements listed in the plan may be projects related to the expansion of the network (one or multiple services), projects related to updating technology to accommodate new services or higher bandwidth or maintenance projects, such as to reduce trouble reports or replace outdated equipment. Additionally, in some cases, the projects may be ones that improve or upgrade the entire network rather than discrete areas within a study area or they may be ones that are ongoing projects that have no specific start and completion dates.

The instructions to the Form 481 state “[r]ecipients may describe where improvements are expected to occur by wire center or census block, as appropriate. To the extent no improvements are planned in specific areas, the five-year plan should so indicate.”¹² The instructions also require that in subsequent years, ETCs must file a progress report on the five-year plan, pursuant to 47 C.F.R. §54.313(a)(1), including maps explaining progress towards meeting the deployment targets, the amount of universal service support received, how support was used to improve service quality, coverage, or capacity, and an explanation regarding any network improvement targets that have not been fulfilled in the prior calendar year. The information regarding the total

¹⁰ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) (“2005 ETC Order”).

¹¹ *Id.*

¹² Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), March 2014, Line 112

amount of universal service support received must also be broken out separately by the amount spent on capital expenses and the amount spent on operating expenses.¹³

Accordingly, the Company's five-year plan separately provides both capital expenditures and operating expenses.

A. The Company's Major Network Improvement Projects

Based upon this framework, Appendix A reflects ITS Telecom's major network improvement projects for the year 2015 through calendar year 2019¹⁴ along with the start and completion dates, capital costs, areas and population associated with those projects.

B. How These Projects Will Improve the Network

One of our goals at ITS Telecom is to raise the level of services for both telephony and internet for our outlying customers. Our plans are to place fiber optic lines and associated electronics which will allow internet service levels as high as 1 Gb down and 1 Gb up as well as reduce trouble reports for telephony. We have planned three projects over the next five (5) years to help ITS Telecom accomplish this goal. We have included a color-coded map of our serving area which details our three (3) projects for the period of 2015 through 2019.

The first project will cover Indiantown proper, Minute Maid Road and Dunklin Camp areas. This project which will start in June, 2014 will cover 12 square miles and approximately 215 residences. The purpose is to replace the existing facilities, which is currently copper, via fiber optics to the premise. This will upgrade speeds that are

¹³ Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), March 2014, Line 112

¹⁴ Although the FCC has not specified what it considers to be "year one" of the five year plan, the Company believes that it is the FCC's intent for the calendar year 2015 to be considered "year one" due to the fact that the first progress report on the plan is due July 1, 2015 and all of the other reporting requirements contained in Section 54.313 are based on the calendar year.

currently at 3 Mbps down and 1 Mbps up for the Minute Maid Road and Dunklin Camp residences to increase speeds and quality of telephone service. Indiantown proper, being close to our Central Office, currently receive 10 Mbps down and 1 up but will be able to enjoy the higher speeds as well that are needed for most downloading of school work, office files, TV shows, gaming, etc.. This expansion of our FTTH services will allow ITS Telecom to introduce new services, reduce reported troubles and replace outdated facilities. This endeavor is scheduled to be completed around May, 2016 for the approximate cost of \$300,000.00.

The second project which will start June, 2016 will cover the Dunklin Community, the Indiantown Airport and the Indiantown Marina. This plan will cover six (6) square miles and approximately 100 residences. As with the first project, our purpose is to replace outdated facilities with fiber optics and the equipment that enhances our services to our customers for both telephone and internet. The cost will be around \$750,000.00.

The final task that is being planned for the next five (5) years is scheduled to be started in June, 2017 and will include Fox Brown Road and J & S Fish camp areas. This area covers 18 square miles and 127 residences. This job should be completed approximately May, 2019 with a projected cost of \$1,250,000.00. As previously noted, our goal is to replace old facilities in which to improve internet speeds and telephone services. Our costs include the accompanying electronic equipment that is used to provide better and more services for our customers.

C. Estimated Capital Expenditures and Operating Expenses

The first table in Appendix B included herein specifies the Capital Expenditures (projects) in Appendix A, by Part 32 account, along with the respective year in which the expenditures are expected to occur. In the second table of Appendix B, the projected operating expenses are provided, including depreciation expense for both embedded plant investment and for Capital Expenditures, which begins when the Capital Expenditures are projected to be placed into service.

D. List of Community Anchor Institutions to Which the ETC Currently Provides Service (Not required in 2014. Optional.)

Although the FCC's *USF/ICC Transformation Order* only requires listing of community anchor institutions to which the ETC newly began providing service in progress reports, ITS Telecom hereby provides the FCC with a list of community anchor institutions to which it currently provides service.¹⁵ The list of community anchor institutions is included herein as Appendix C.

E. Determination of Reasonableness

In its *March 5, 2013 Order*, the Commission stated, "We encourage rate-of-return carriers to explain in their five-year plans what criteria the carrier will use to determine whether a request for broadband is reasonable and how the carrier will decide which areas are feasible to extend terrestrial broadband service to, and which areas are not feasible to serve with terrestrial technologies, given current funding levels."¹⁶ ITS Telecom hereby responds to the Commission's invitation and provides the following:

¹⁵ The FCC has defined community anchor institutions in Section 54.5 of its Rules as "schools, libraries, health care providers, community colleges, other institutions of higher education, and other community support organizations and entities."

¹⁶ *March 5, 2013 Order* at Para. 10.

ITS Telecommunications Systems, Inc., DBA, ITS Telecom certifies that reasonable steps are taken when a customer is requesting service in the more rural regions of our service area. The main factor in determining what services ITS Telecom can offer is the physical location of the residence. Where the residence is in relation to the serving equipment is very important in determining the availability of service. The technicians review the capacity of the existing facilities, at the requested location, to determine if the facilities are adequate to add additional services or if upgrades or new facilities are required. If there is a need to upgrade or install new equipment, the investment is then calculated and a decision is made as to whether or not we can "reasonably" provide the requested service to our customer.

ITS Telecommunications Systems, Inc. - 210331

APPENDIX A

IMPROVEMENT PROJECTS FOR YEAR 2015 THROUGH 2019

PROJECT/LOCATION	SERVING AREA	POPULATION	START DATE	COMPLETION DATE	CAPITAL COSTS
1 - Indiantown Proper, Minute Maid Road & Dunklin Camp	12 Square Miles	215 Residents	June, 2014	May, 2016	\$ 300,000.00
2 - Dunklin Community, Indiantown Airport & Indiantown Marina	6 Square Miles	100 Residents	June, 2016	May, 2019	\$ 750,000.00
3 - Fox Brown & J&S Area	18 Square Miles	127 Residents	June, 2019	May, 2024	\$ 1,250,000.00

ITS Telecommunications Systems, Inc. - 210331

APPENDIX B
 TABLE 1 - PART 32
 IMPROVEMENT PROJECTS FOR YEAR 2015 THROUGH 2019

PROJECT/LOCATION	2014	2015	2016	2017	2018	2019	TOTAL CAPITAL COSTS
1 - Indiantown Proper, Minute Maid Road & Dunklin Camp							
Account 2232	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00				\$ 60,000.00
Account 2423	\$ 80,000.00	\$ 80,000.00	\$ 80,000.00				\$ 240,000.00
2 - Dunklin Community, Indiantown Airport & Indiantown Marina							
Account 2232			\$ 25,000.00	\$ 50,000.00	\$ 50,000.00	\$ 25,000.00	\$ 150,000.00
Account 2423			\$ 100,000.00	\$ 200,000.00	\$ 200,000.00	\$ 100,000.00	\$ 600,000.00
3 - Fox Brown & J&S Area							
Account 2232						\$ 50,000.00	\$ 50,000.00
Account 2423						\$ 200,000.00	\$ 200,000.00
Total Capital Expenditures	\$ 100,000.00	\$ 100,000.00	\$ 225,000.00	\$ 250,000.00	\$ 250,000.00	\$ 375,000.00	\$ 1,300,000.00

ITS Telecommunications Systems, Inc. - 210331

APPENDIX B
 TABLE 2 - DEPRECIATION EXPENSE
 OPERATIONS EXPENSES FOR YEAR 2015 THROUGH 2019

PROJECT/LOCATION	2014	2015	2016	2017	2018	2019
Plant Specific Operations	\$ 2,518,384.10	\$ 2,593,935.63	\$ 2,671,753.70	\$ 2,751,906.31	\$ 2,834,463.50	\$ 2,919,497.40
Plant Non-Specific Operations	\$ 227,559.41	\$ 234,386.19	\$ 241,417.78	\$ 248,660.31	\$ 256,120.12	\$ 263,803.72
Depreciation and Amortization	\$ 1,645,320.65	\$ 1,652,000.00	\$ 1,667,000.00	\$ 1,682,000.00	\$ 1,697,000.00	\$ 1,712,000.00
Customer Operations	\$ 264,780.36	\$ 272,723.77	\$ 280,905.48	\$ 289,332.65	\$ 298,012.63	\$ 306,953.01
Corporate Operations	\$ 838,422.53	\$ 863,575.20	\$ 889,482.46	\$ 916,166.93	\$ 943,651.94	\$ 971,961.50
Property Taxes	\$ 152,040.00	\$ 155,000.00	\$ 155,000.00	\$ 155,000.00	\$ 155,000.00	\$ 155,000.00
Total Capital Expenditures	\$ 5,646,507.05	\$ 5,771,620.79	\$ 5,905,559.42	\$ 6,043,066.20	\$ 6,184,248.18	\$ 6,329,215.63

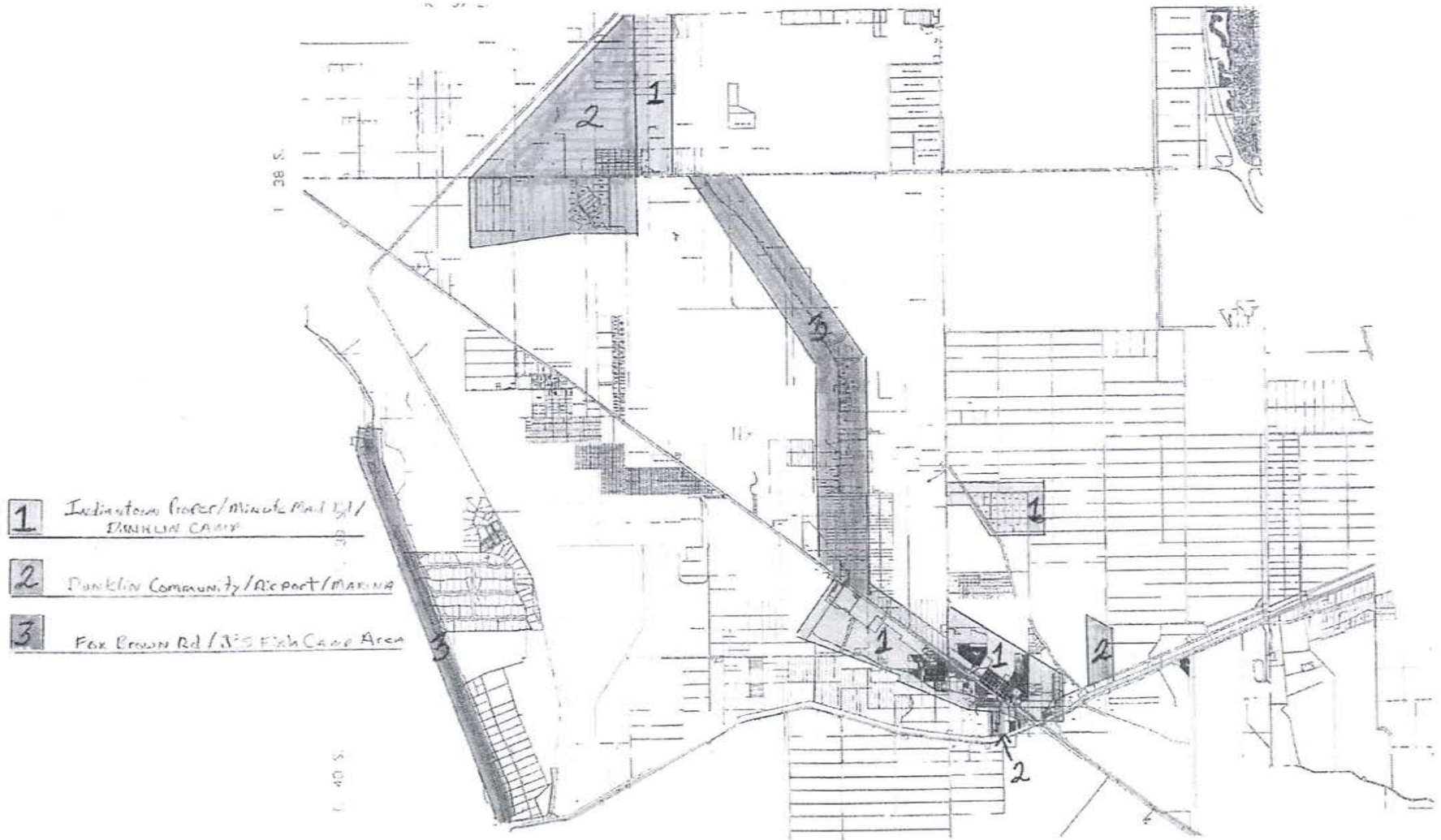
ITS TELECOMMUNICATIONS SYSTEMS, INC. - 210331

APPENDIX C

ANCHOR INSTITUTIONS

Account Name	Service & Date	Phone #	Full Service Address
YMCA TREASURE COAST	Internet -12M - 2/2014	772-597-3700	16451 SW FARM RD, INDIANTOWN, FL 34956
SOUTH FLORIDA WATER MANAGEMENT	Internet - 3M - 10/2011	772-597-3320	18150 SW MARTIN HWY, INDIANTOWN, FL 34956
HOPE RURAL SCHOOL	Internet - 25M - 11/2011	772-597-2203	15929 SW 150TH ST, INDIANTOWN, FL 34956
HARBOR COMMUNITY BANK, FSB	Internet - 2/2012	772-597-2181	15588 SW WARFIELD BLVD, INDIANTOWN, FL 34956
GEO	Internet - DLS 6M-9/2008	772-597-9400	96 SW ALLAPATTAH RD, INDIANTOWN, FL 34956
FERRO, CLAUDIA DDS DR CLAUDIA FERRO DDS	Internet - 3M - 9/2013	772-597-4627	15275 SW ADAMS AVE, INDIANTOWN, FL 34956
EAST COAST MIGRANT HEADSTART PROJECT	Internet - 25m	772-597-3019	16491 SW FARM RD WARM LINE, INDIANTOWN, FL 34956

ITS Telecommunications Systems Inc 210331
SYR. PLAN 2015-2019



1 Indiantown Profer/Minute Road 1/1
FRANKLIN CAMP

2 Franklin Community/Ricport/Marina

3 Fox Brown Rd / N'S Fish Camp Area

Service Quality Standards and Consumer Protection Rules Compliance

ITS Telecommunications Systems, Inc., DBA, ITS Telecom certifies that our company complies with the applicable state and FCC Service Quality Standards and the Consumer Protection Rules.

With regards to the FCC 47 C.F.R. §64.2001-64.2011 rules for CPNI (Customer Proprietary Network Information), ITS Telecom has a policy manual that details and enforces the requirements of the federal rules. Our managers review the policies of CPNI on a yearly basis with their employees or as needed when a new hire is involved with our customer information. The company certifies its compliance annually with the FCC.

ITS Telecom trains their employees on the Red Flag regulations to help identify theft and through our NOC, the company has procedures to mitigate the potential damage of identity theft. Our NOC has established numerous measures in which to insure the integrity of our network and customer data.

ITS Telecom discloses their rates to our customers on our website, provides protection to our customers with Anti-Slamming Procedures as adopted with the Florida Administrative Code and the Florida Statutes, and follows all other applicable federal and state requirements governing the protection of our customers' privacy.

Functionality in Emergency Situations

ITS Telecommunications Systems, Inc. certifies that our company is compliant in emergency situations as set forth in the Code of Federal Regulations. We have had a Disaster and Hurricane Preparedness Plan in place for many years and currently are revising our plan to incorporate use of the new technology that came about with the opening of our NOC (Network Operations Center). We have established a Steering Committee that meets quarterly to review our Emergency Preparedness Policies.

ITS Telecommunications' central office is designed to withstand power failures through the use of batteries and backup generators. We also have backup generators for our remotes which will keep running until power is restored as long as fuel is available. The NOC and OSP (Outside Plant) perform scheduled routine maintenance of our batteries and generators. Our NOC monitors our network 24/7 which ensures timely responses when a problem arises. Our serving area has network redundancy that provides an alternate route when needed.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 3325-0188. The time required to complete this information collection is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

USDA-RUS FINANCIAL AND STATISTICAL REPORT FOR BROADBAND BORROWERS	<i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i>	
	BORROWER NAME ITS Telecommunications Systems, Inc.	
	ADDRESS Indiantown, Florida	
INSTRUCTIONS-Submit report to RUS within 15 days after close of the period.	PERIOD ENDING December, 2013	BORROWER DESIGNATION FL1103

CERTIFICATION

We hereby certify that:

- the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief; and
- we have fulfilled our obligations under the Loan Documents throughout the year in all material respects

ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

All of the obligations under the RUS loan documents have been fulfilled in all material respects.
 There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the notes section of this report.

Jeffrey Leslie 03/07/2014
DATE

PART A. BALANCE SHEET			
ASSETS	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE END OF PERIOD
CURRENT ASSETS		CURRENT LIABILITIES	
1. Cash and Equivalents	499,663	16. Accounts Payable	769,152
2. Cash-RUS Construction Fund	500	17. Notes Payable	
3. Accounts Receivable	1,092,712	18. Current Mat. L/T Debt - RLIS	436,124
4. Notes Receivable		19. Current Mat. UT Debt-Other	353,201
5. Materials and Inventory	39,482	20. Current Mat.-Capital Leases	
6. Other Current Assets	453,246	21. Other Current Liabilities	
Total Current		Total Current	
7. Assets (1 thru 6)	2,085,603	22. Liabilities (16 thru 21)	1,558,477
NONCURRENT ASSETS		LONG-TERM DEBT	
8. Investment in Affiliated Companies		23. Funded Debt-RUS Notes	6,469,529
9. Other Noncurrent Assets	2,435,550	24. Funded Debt-RTB Notes	
PLANT, PROPERTY, AND EQUIPMENT		25. Funded Debt-FFB Notes	
10. Telecom. Plant-in-Service	23,216,896	26. Funded Debt-Other	1,404,293
		Total Long-Term	
11. Plant Under Construction		27. Debt (23 thru 26)	7,873,822
12. Plant Adj., Nonop. Plant, & Goodwill		OTHER LIAB. & DEF. CREDITS	
13. Less Accumulated Depreciation	15,365,456	28. Other Long-Term Liabilities	2,371,889
Net Plant		EQUITY	
14. (10 thru 12 less 13)	7,851,440	29. Cap. Stock Outstand. & Subscribed	375,000
		30. Additional Paid-in-Capital	
		31. Membership and Cap. Certificates	
		32. Patronage Capital Credits	
		33. Retained Earnings or Margins	193,405
		34. Total Equity (29 thru 34)	568,405
TOTAL ASSETS		TOTAL LIABILITIES AND	
15. (7+8+9+14)	12,372,593	35. EQUITY (22+27+28+34)	12,372,593

Total Equity = 4.59 % of Total Assets

USDA-RUS

**FINANCIAL AND STATISTICAL REPORT
FOR BROADBAND BORROWERS**

BORROWER DESIGNATION

FL1103

PERIOD ENDING

December, 2013

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

ITEM	YEAR-TO-DATE
1. Local Network Services Revenues	
a. Voice	3,062,167
b. Video	
c. Internet	
i. Broadband	629,790
ii. Other	
2. Network Access Services and Long Distance Revenues	1,892,538
3. Miscellaneous Revenues	
4. Other Operating Income	
5. Uncollectible Revenues	
6. Net Operating Revenues (11 thru 4 less 5)	5,584,495
7. Plant Specific Operations Expense	2,795,820
8. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	
9. Customer Operations Expense	215,803
10. Corporate Operations Expense	788,839
11. Other Operating Expenses	
12. Total Operating Expenses (7 thru 11)	3,800,462
13. Operating Income or Margins (6 less 12)	1,784,033
14. Nonoperating/Nonregulated Net Income	32,296
15. EBITDA (13 + 14)	1,816,329
16. Depreciation Expense	1,490,282
17. Amortization Expense	
18. EBIT (15 - 16 - 17)	326,047
19. Interest on Funded Debt	235,522
20. Other Interest Expense	94,382
21. Taxes	
a. Property	149,987
b. Income	(62,369)
22. Total Net Income or Margins (18-19-20-21)	(91,475)
23 Dividends Declared (Common)	
24 Dividends Paid	
25 Transfers to Patronage Capital	
26 Principal Payments on Long Term Debt and Capital Leases	
27 TIER (19 + 20 + 22) / (19 + 20)	0.72

USDA-RUS

**FINANCIAL AND STATISTICAL REPORT
FOR BROADBAND BORROWERS**

BORROWER DESIGNATION

FL1103

PERIOD ENDING

December, 2013

PART C. SERVICES

No.	SERVICE OFFERINGS	1. RATES		2. SUBSCRIBERS		Total (c)
		Residential	Business	Residential	Business	
		(a)	(b)	(a)	(b)	
	Broadband Data Packages					
1	16M	0.00	114.95	0	3	3
2	50m	89.95	0.00	2	0	2
3	25M	59.95	94.95	8	8	16
4	12m	49.95	79.95	48	11	59
5	6.1M	39.95	64.95	257	16	273
6	10M	59.95	0.00	3	0	3
7	1M	39.95	0.00	22	0	22
8	30m	69.95	0.00	5	0	5
9	768K	39.95	0.00	11	0	11
10	40M	79.95	0.00	2	0	2
11	15M	49.95	0.00	52	0	52
12	60M	89.95	0.00	2	0	2
13	20m	59.95	0.00	14	0	14
14	6M	39.95	59.95	225	25	250
15	3M	44.95	79.95	268	30	298
16	256K	29.95	0.00	50	0	50

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**FINANCIAL AND STATISTICAL REPORT
FOR BROADBAND BORROWERS**

BORROWER DESIGNATION
FL1103

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PART C. COMMUNITIES

No.	Community	County	State	No. Broadband Data Customers	Broadband Application
1	Indiantown CDP	Martin	FL	1,065	X

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**FINANCIAL AND STATISTICAL REPORT
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PART D. STATEMENT OF CASH FLOWS

1.	Beginning Cash	197,207
CASH FLOWS FROM OPERATING ACTIVITIES:		
2.	Net Income	(91,475)
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>		
3.	Add: Depreciation	1,490,282
4.	Add: Amortization	
5.	Other (Explain)	
<i>Changes in Operating Assets and Liabilities:</i>		
6.	Decrease/(Increase) in Accounts Receivable	(545,705)
7.	Decrease/(Increase) in Materials and Inventory	20,246
8.	Decrease/(Increase) in Other Current Assets	246,308
9.	Increase/(Decrease) in Accounts Payable	19,173
10.	Increase/(Decrease) in Other Current Liabilities	(102,169)
11.	Net Cash Provided/(Used) by Operations	1,036,660
CASH FLOWS FROM FINANCING ACTIVITIES:		
12.	Decrease/(Increase) in Notes Receivable	0
13.	Increase/(Decrease) in Notes Payable	0
14.	Plus/(Less) Net Increase/(Decrease) in Long Term Debt (Including current maturities)	(215,151)
15.	Plus: Increase/(Less: Decrease) in Capital Stock, Paid-in Capital or Membership and Capital Certificates	0
16.	Less: Payment of Dividends	
17.	Other (Explain)	
18.	Net Cash Provided/ (Used) by Financing Activities	(215,151)
CASH FLOWS FROM INVESTING ACTIVITIES:		
19.	Net Capital Expenditures	(518,553)
20.	Long-Term Investments	
21.	Other (Explain)	
22.	Net Cash Provided (Used) by Investing Activities	(518,553)
23.	Net Increase/ (Decrease) in Cash	302,956
24.	Ending Cash	500,163

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Notes to Operating Report - Broadband