
*The Rural Utilities Service (RUS)
Telecommunications Program*

Infrastructure Loan Application Guide



**Rural Development
United States Department of Agriculture**

Telecommunications Program Loan Design/Application Guide

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Abbreviations

USDA:	United States Department of Agriculture
RE Act:	Rural Electrification Act of 1936, as amended
REA:	Rural Electrification Administration
RUS:	Rural Utilities Service
RD:	Rural Development
CFR:	Code of Federal Regulations
GFR:	General Field Representative
FCC:	Federal Communications Commission
BER:	Borrower's Environmental Report (See 7 CFR 1794)
EAS:	Extended Area Service
PSC:	Public Service Commission or equivalent
LD:	Loan Design (See 7 CFR 1737.32)
DSCR:	Debt Service Coverage Ratio
TIER:	Times Interest Earned Ratio

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Telecommunications (Infrastructure) Loan Program

Administered by Rural Utilities Service (RUS)

Section I - General Information

Our partnership with rural America is long-standing. For over 60 years, the Telecommunications Program has been at the forefront of providing the infrastructure financing that brought advanced telecommunications services to the most rural areas of our country. Today, Rural Development's Telecommunications Program continues as an essential source of financing and technical assistance for rural telecommunication systems. Through this program, more than \$13 billion has been invested in improved telecommunications services to rural subscribers.

Borrowers today provide service to rural customers over a digitally switched state-of-the art network. By providing a leadership role in financing and telecommunications standards, the Telecommunications Program continues to help build high quality information pathways that serve Rural America today. The level of investment required to continue providing the infrastructure needed for rural economic development is higher today than ever before. New information capabilities need advanced technologies, less developed rural areas need better infrastructure, and some areas still have no service at all.

The Telecommunications Infrastructure Loan Program makes long-term direct and guaranteed loans to qualified organizations for the purpose of financing the improvement, expansion, construction, acquisition, and operation of telephone lines, facilities, or systems to furnish and improve Telecommunications service in rural areas. All facilities financed must be capable of supporting broadband services.

We have endeavored to make this *Application Guide* a useful source of information on how to prepare a successful application and have designed it for the first-time applicant with no previous experience applying for Federal financing. In this guide, you will find information on eligibility requirements; funding purposes and types of financial assistance; the how, when, and where to submit an application. Current RUS borrowers, consulting engineers, cost consultants, and other interested parties may also use this guide when preparing a loan application. We hope that you will find it helpful.

A. Types of Financial Assistance

The Telecommunications Infrastructure Loan Program provides three kinds of financial assistance; Cost of Money Loans, Guaranteed Loans, and Hardship Loans. (Please review 7 CFR 1735 Subpart C). Any combination of these three loan types may be requested, subject to eligibility. See below for details:

1. **Cost-of-Money loans** at current U.S. Treasury rates, depending on loan maturity at the time of each advance, but not more than 7 percent per year. Generally, no more than 10 percent of lending authority from appropriations in any fiscal year may be loaned to a single borrower. To qualify for a cost-of-money loan, an applicant must meet one of the following requirements:

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- a. The average number of proposed subscribers per mile of line in the service area is not more than 15; or
- b. A projected TIER of at least 1.0 but not greater than 5.0 (determined by RUS Feasibility Study). TIER is the ratio of a borrower's net income (after taxes) plus interest expense, all divided by interest expense.

Cost-of-money loans cannot be used to finance headquarters buildings; vehicles not used in construction; or provide refinancing.

TIP: Current rates are published online at <http://www.federalreserve.gov/releases/h15/Current/> (scroll down to "Treasury Constant Maturities").

2. **Guaranteed loans**, primarily from the Federal Financing Bank (FFB). FFB offers a wide range of financing options, including long and short term maturities and prepayment and refinancing privileges. Funds can be used to finance telecommunication facilities, headquarters buildings, vehicles not used in construction and to refinance non-RUS debt. Interest rates (Treasury rate plus 1/8 percent) vary depending on call options and the interim maturity rate selected at each advance, which may be as short as 90 days, with auto-rollover. (Please review 7 CFR 1735.32 for guaranteed loans requirements.) To qualify for a guaranteed loan, an applicant must meet the following requirements:
 - a. A projected TIER (including the proposed loan(s)) of at least 1.2 as determined by the feasibility study.
 - b. In general, a net worth in excess of 20% of assets.
3. **Hardship loans** at a fixed rate of 5 percent interest. Generally, no more than 10 percent of hardship funds appropriated in any fiscal year may be loaned to a single borrower. Funds can be used to finance telecommunication facilities, headquarters buildings, vehicles not used in construction and to refinance non-RUS debt. To qualify, the applicant must meet the following requirements:
 - a. The average number of proposed subscribers per mile of line in the service area is not more than 4; and
 - b. A projected TIER of at least 1.0 but not greater than 3.0 (determined by RUS Feasibility Study).

Hardship loan funds cannot be used in any exchange that has more than 1,000 existing subscribers and an average number of proposed subscribers per mile of line greater than 17.

NOTE:

RUS no longer provides RTB loans due to the dissolution of the Rural Telephone Bank.

B. Who's Eligible?

The RUS Telecommunications (Infrastructure) Loan Program makes loans to:

- Entities providing, or who may hereafter provide, telephone service in rural areas;
- Public bodies providing telephone service in rural areas as of October 28, 1949; and
- Cooperative, nonprofit, limited dividend or mutual associations providing telephone service in rural areas.

To be eligible for a loan, a borrower:

- Must have sufficient authority to carry out the purposes of the RE Act; and
- Must be incorporated or a limited liability company.

Corporations that have been convicted of a felony (or had an officer or agent acting on behalf of the corporation convicted of a felony) within the past 24 months are **not** eligible. Any Corporation that has any unpaid federal tax liability that has been assessed, for which all judicial and administrative remedies have been exhausted or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability, is not eligible for financial assistance provided with funds appropriated by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2012, P.L. No. 112-55.

NOTE:

- *RUS does not make loans to individuals.*
- *RUS will not consider applications for less than \$50,000.*
- *RUS gives preference to those borrowers (including initial loan applicants) already providing telephone service in rural areas.*
- *RUS does not make loans for the sole purpose of merging or consolidating telephone organizations.*

C. Key Loan Criteria

Rurality

"Rural area" is defined as any area of the United States, its territories and insular possessions (including any areas within the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau) not included within the boundaries of any incorporated or unincorporated city, village, or borough having a population exceeding 5,000 inhabitants. Population data can be obtained from the *Fact Finder* Page of the U.S. Census Bureau website:

<http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>

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RUS loan funds may be approved for facilities to serve non-rural subscribers only if:

1. The principal purpose of the loan is to furnish and improve rural service; and
2. The use of loan funds to serve non-rural subscribers is necessary and incidental to the principal purpose of the loan.

Approved Purposes

Loan funds may be used to finance telecommunications services in rural areas for:

1. New construction;
2. Improvements;
3. Expansions;
4. Acquisitions* (see below for funding criteria);
5. Refinancing* (see below for funding criteria)

Generally, RUS will not make a loan to another entity to provide the same telecommunications service in an area served by an incumbent RUS telecommunications borrower providing such service.

* **Acquisitions:** RUS will finance an acquisition by a borrower only when the acquisition cost is necessary and incidental to furnishing or improving rural telephone service and the service area to be acquired is eligible for RUS financing (i.e. the acquisition to be financed by RUS must be less than the proposed improvements). Generally, RUS will not make a loan for the acquisition of an existing borrower. For more information on acquisitions see 7 CFR Part 1735 Subpart G.

* **Refinancing:** Hardship and Guaranteed loans may include funds for refinancing debt from other lenders. Loans for refinancing are not made solely to enable borrowers to obtain a lower interest rate or longer amortization period. Generally, RUS will consider loans for refinancing only if deemed necessary by RUS to provide itself with adequate security (for example, if the other lender refuses to share a lien with RUS). Refinancing may not constitute more than 40 percent of the entire loan. For more information on refinancing loans, see 7 CFR Part 1735.21.

Loan Feasibility

RUS must be able to determine that the security of the loan is reasonably adequate and that the loan will be repaid on time. RUS generally requires that borrowers provide the Agency with a first lien on all of the borrower's property. See 7 CFR 1735.46.

Area Coverage

Borrowers must make adequate telephone service available to the widest practical number of rural subscribers during the life of the loan. Both the nature of the service area and the cost per subscriber must be fully considered. The borrower must seek to provide service to all interested potential subscribers in the service area. See 7 CFR 1735.11.

Non-duplication

In states having a state regulatory body with authority to regulate telephone service and to require certificates of convenience and necessity, the borrower must obtain such a certificate before RUS will make a loan. In states where there is no such regulatory body, a loan will not be made unless RUS determines that no duplication of lines, facilities, or systems already providing reasonably adequate

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services shall result from such a loan. For more information on non-duplication provisions, see 7 CFR 1735.12.

D. Contacts & the Web

RUS General Field Representatives (GFRs) are available to answer questions about the application process and program requirements. A listing of the GFRs and Division Directors with the appropriate contact information can be found on the website: <http://www.rurdev.usda.gov/UTP>ContactStaff.html>

RUS also posts the latest developments in the Telecommunications Program including an electronic copy of this *Loan Application Guide* on our website: http://www.rurdev.usda.gov/utp_infrastructure.html

E. Federal Regulations and the Application Guide

The implementing regulations for pre-loan policies and procedures under the RUS Infrastructure Loan Program are 7 CFR 1735 and 7 CFR 1737. The *Infrastructure Loan Application Guide* is designed to be an easy-to-use version of Parts 1735 and 1737. This *Application Guide* describes how to prepare a complete telecommunications loan application however, should any differences result in the interpretation of this *Application Guide* and Federal Regulations that govern the RUS Telecommunications Program, the Regulations take precedence over information contained in this *Application Guide*.

While the following Regulations are not fully covered in this Application Guide, we encourage you to become familiar with them as they govern the activities of the Telecommunications Program. Details of post-loan policies and procedures can be found in the regulation 7 CFR 1744. Construction guidelines can be found in 7 CFR 1753. Standards and specifications for materials, equipment and construction can be found in 7 CFR 1755. Accounting requirements can be found in 7 CFR 1770. The requirements for the Environmental Report can be found in 7 CFR 1794.

Section II – Pre Application Stage

A. Initial Contact with RUS

All prospective RUS applicants should consult with the RUS General Field Representative (GFR) prior to submitting an application. The GFR will visit the applicant and assist in determining financial need and eligibility. RUS Staff contact information can be accessed on our website:

http://www.rurdev.usda.gov/UTP_ContactStaff.html

The GFR assists the borrower in assembling the loan application. Once an applicant elects to apply for an RUS loan, a Pre-loan Meeting should be held. It is advantageous to have in attendance those individuals who will be involved in the actual preparation of the Loan Design. This includes but not limited to company personnel, management of the company, consulting engineer, cost consultants, and the RUS General Field Representative.

The primary purpose of the meeting is to develop a clear understanding of who is going to accomplish what part of the loan preparation work. By determining who is to accomplish each part of the work, the application should be completed on schedule and will not have to wait on any portion prior to filing. It is also very important for the purposes to be accomplished by the loan to be clearly stated at this meeting, as misunderstandings may result in lost time and expense in preparing incorrect information.

The work of a consulting engineer may be financed with the proposed loan funds. While there is no requirement for a standardized agreement, some form of agreement is recommended to formalize the arrangement with the consulting engineer. RUS Form 835, Pre-loan Engineering Contract, is available for this purpose. The agreement or contract is not reviewed or approved by RUS. Consulting services must be obtained only from persons or firms who are not affiliated with, and have not represented a contractor, vendor, or manufacturer who may provide labor, materials, or equipment to the applicant for projects included in the loan application.

Upon completion of the Loan Application package, the borrower shall submit the package to the GFR, who will review and then forward to RUS headquarters.

B. Pre-Application Determinations

RUS Borrowers are required to make adequate telephone service available to the widest practical number of rural subscribers during the life of the loan. Both the nature of the service area and the cost per subscriber must be fully considered. The borrowers must also seek to provide service to all interested potential subscribers in their service areas however; borrowers are not required to extend service in situations where the costs would be exorbitant.

Therefore, prior to submitting an application to RUS, an applicant should consider the following:

(a) *Area to be served.* The proposed service area should not include subscribers already receiving adequate service from another telephone system or leave out unserved pockets of potential subscribers who have indicated an interest in service and are located between the proposed system and neighboring

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systems. See 7 CFR 1735.11 on Area Coverage and 7 CFR 1735.12 on Non-duplication. In establishing service area boundaries, borrowers should consider the location of adjoining systems, natural boundaries such as rivers and mountains, and economic and cultural features such as trading and community centers.

(b) *Number of subscribers.* The borrower must estimate the number of subscribers that will request service from the proposed system. The subscriber data on the Form 490, the Operating Report for the prior year end, and the Form 569-Area Coverage Data should all agree.

(c) *Acquisitions.* A borrower considering an acquisition should refer to 7 CFR 1735.20.

(d) *Mergers and consolidations.* A borrower considering a merger or consolidation should refer to 7 CFR 1735.19.

(e) *Refinancing.* Restrictions on the use of loan funds for refinancing are contained in 7 CFR 1735.21.

(f) *Service for non-rural subscribers.* In some situations, RUS loan funds may be used to finance facilities to serve non-rural subscribers. See 7 CFR 1735.13.

(g) *Loan amount.* The initial loan request is based on the borrower's best estimate of financing needs. RUS requires detailed studies by the borrower to support cost estimates in the loan application. The estimated loan amount is subject to revision by RUS.

(h) *Loans for a portion of a system.* If it is impractical to finance facilities to provide adequate service throughout the borrower's entire telephone service area, RUS will consider a loan application to finance improvements to a portion of a borrower's system.

(i) *Telecommunications modernization plan.* A borrower applying for hardship or concurrent RUS cost-of-money loans should refer to 7 CFR 1751, subpart B.

Section III - The Complete Application

A complete Loan Application consists of five main parts:

- a) A cover letter from the applicant which indicates the amount and type of loan requested;
- b) A completed RUS Form 490, “Application For Telecommunications Loan or Loan Guarantee”;
- c) A market survey – The Area Coverage Survey (ACS);
- d) The Engineering / Loan Design which contains the plan and associated costs for the proposed construction;
- e) Financial and Legal Requirements

A. Applicant Cover Letter – Selection of Loan Type

The applicant should provide a cover letter as an exhibit to the Loan Application. This letter should indicate the amount and type or types of loan that is being applied for: Hardship, Cost of Money, or FFB loan. Any combination of these different types may be requested. If multiple loan types are requested, the dollar amount of each loan should be indicated in the letter.

B. RUS Form 490, “Application for Telecommunications Loan or Loan Guarantee”

The completed RUS Form 490, (*Application for Telecommunications Loan or Loan Guarantee*) is required to apply for RUS loans to improve and extend telecommunications services in rural areas. We use the latest version of the Form 490, which is the version approved by the Office of Management and Budget (OMB).

It should be noted that the RUS Form 490 contains a section for stating if the borrower is or is not delinquent on any Federal debt, such as income tax obligations or a loan or loan guarantee from another Federal agency.

In addition, the RUS Form 490 includes a certification that the borrower has been informed of the collection options listed below that the Federal government may use to collect delinquent debt. RUS and other government agencies are authorized to take any or all of the following actions in the event that a borrower’s loan payments become delinquent or the borrower defaults:

1. Report the borrower’s delinquent account to a credit bureau.
2. Assess additional interest and penalty charges for the period of time that payment is not made.
3. Assess charges to cover additional administrative costs incurred by the Government to service the borrower’s account.
4. Offset amounts owed to the borrower under other Federal programs.
5. Refer the borrower’s debt to the Internal Revenue Service for offset against any amount owed to the borrower as an income tax refund.

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6. Refer the borrower’s account to a private collection agency to collect the amount due.
7. Refer the borrower’s account to the Department of Justice for litigation in the courts.

All of these actions can and will be used to recover any debts owed when it is determined to be in the interest of the Government to do so.

NOTE:

OMB Circular A-129 defines ‘‘delinquency’’ for direct or guaranteed loans as debt more than 31 days past due on a scheduled payment.

This RUS Form 490 must be completed as follows:

Item No.	Instruction
1	Enter the complete legal name of the company and the company address including the street, city, state, and zip code.
2	Check one of the three boxes to indicate the organization type of your company.
3	Check one of the two boxes to indicate the loan maturity: If you check box "a," please insert in the blank provided the loan maturity of the loan in years not to exceed 35 years. (This cannot exceed the facilities economic life plus 3 years) If you check box "b," RUS will base the loan maturity on the composite life of facilities financed in the loan plus 3 years.
4	Enter the loan amount you are applying for.
5	Enter in item "a" the total number of telecommunications exchanges your company serves. Insert in item "b" the number of telecommunications exchanges where facilities are to be financed by this loan.
6	Enter in item "a" the total number of current subscribers in the entire service area. Enter in item "b" the total number of subscribers projected in the area coverage survey that your company will be serving in the entire service proposed in this loan.
7	Briefly summarize the purposes of the loan and include the estimated loan amount associated with each of the loan purposes.
8	Check the appropriate box to indicate if your company is or has been delinquent on any Federal Debt such as taxes, direct government or guaranteed loans, etc. Any payment that is past due by more than 31 days is considered delinquent by RUS for purposes of filling out this form.
Certification	An authorized official must sign the form. Include the title and the date in the spaces indicated. This certifies that the information provided is correct and that the applicant has been notified of the Federal collection policies in the case of delinquency.

C. The Area Coverage Survey (ACS)

Introduction

The Area Coverage Survey (ACS) is a market forecast used to determine the service requirements of subscribers in the proposed service area. RUS requires the submission of an ACS in support of a loan application. It serves as the basis for determining:

1. That telephone service will be provided on an area coverage basis;
2. The design of the telephone system;
3. The investment required for the construction of the system; and
4. The economic feasibility of the proposed system

Any or all of these factors may be distorted by errors in forecasting subscriber service requirements; therefore, it is essential that the ACS be conducted with care.

NOTE:

The responsibility for the development of a sound forecast rests solely with the loan applicant. If a loan applicant is unable to prepare the ACS, it may employ the services of a consulting engineer.

Preparation

Putting together an ACS package may require:

1. A field survey of the service area to locate and identify on maps all business and residential establishments, whether currently served or not. The location and identification of future establishments are also recorded on the maps.
2. A forecast of the number of telephone subscribers, in the entire service area, by exchange, grade and class of service, projected for the end of the 5-year study period.

NOTE:

New ACS maps are not required at the pre-loan stage for borrowers submitting a loan application for areas previously financed by RUS. The updated ACS maps may be required in the post-loan stage.

New loan applicants and borrowers planning service for areas not previously financed by RUS are still required to prepare ACS maps in the pre-loan stage showing the location of all existing and potential subscribers in the proposed service area.

RUS Form 569, "Area Coverage Survey Report"

The results of the field survey and forecast described above should be tabulated on the RUS Form 569 "Area Coverage Survey Report," or its equivalent; and presented in a manner and form that is most useful to the borrower and to RUS in reviewing it and in analyzing the capital requirements. Information included on the RUS Form 569 must be supported by the loan design narrative and outside plant layout maps. Please note that maps for those service areas previously financed by RUS do not have to be included in the loan design provided that the borrower's records contain sufficient information as to subscriber development to enable cost estimates for the proposed facilities to be prepared. For existing borrowers, the information on the Form 569 needs to agree with the information on the borrower's Operating Report for Telecommunications Borrowers.

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NOTE:

The RUS field representative reviews and approves the borrower's ACS. The borrower should make sure this is done before proceeding with the Loan Design in order to prevent unnecessary expenses should the ACS not be approved. The borrower's engineer must use the RUS-approved ACS in preparing the Loan Design.

Section A of the RUS Form 569 summarizes the number of existing and proposed access lines for each of the applicant's exchanges as supported by the field survey and forecast. All exchanges, for which loan and non-loan funds are proposed, must be listed in this section of the Form 569. State and County information, identifying the location of each exchange, must be provided. The applicant must also provide all existing and proposed rates for each exchange.

Section B of the RUS Form 569 lists all additional revenue producing services offered by the applicant. The applicant must provide existing and proposed revenue estimates, on an annual basis.

D. Engineering / Loan Design (LD)

A loan application requires a supporting Engineering study called a Loan Design (LD). The LD contains a forecast of service requirements and a narrative with supporting exhibits. The complete LD portion of the application should include a narrative, certifications, survey and construction forms, and supporting exhibits. Most of the items included in the LD are similar for all loan applications. However, there are certain additional requirements for initial loans and for any exchange areas not previously financed by RUS. The LD must conform to the borrower's state telecommunications modernization plan (STMP). Because of the importance and complexity of the engineering studies necessary for the LD, it should be prepared by a competent experienced telecommunications engineer. While the LD is subject to RUS approval, the borrower's selection of an engineer to perform pre-loan work is not.

NOTE: *The borrower's selection of an engineer to perform post-loan work is subject to RUS approval. This should be considered when selecting a pre-loan engineer, if the same individual or company is to perform both services. See 7 CFR 1753.17.*

D-1. The Loan Design Narrative

The narrative should consist of a general discussion indicating the purpose and amount of the proposed construction. It should also include a discussion of immediate and long-range plans for upgrading existing services, providing new types of subscriber services, and any other plans relating to the development of telephone service in the area. The narrative should address the number of existing and projected subscribers after the forecast period. Applicants should explain how they plan to achieve and/or meet the five-year projection. If the applicant has lost subscribers in the past several years, an explanation should also be included describing the specific factors that led to the subscriber loss. In instances of projected subscriber losses, a detailed explanation should be provided as to what

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measure(s) the applicant is taking to reverse the downward trend as well as the reason(s), if any, why there may be a future increase in subscribers.

The narrative should discuss the **Existing System** and the **Proposed System** construction plans in sufficient detail to provide a clear and logical picture of the proposed telecommunications system. It should give the considerations for utilizing existing central office equipment and outside plant in the proposed system, plans for reinforcing and expanding existing equipment and plant, and the justifications for and extent of proposed removals and retirements of existing equipment and plant.

The narrative on the **Existing system** should be broken down into the following categories:

Central Office Equipment- The narrative should include information, by exchange area, of the make/manufacturer and model of existing class 5 switches and / or softswitches (both for host switches and for remotes), current software release, and location of central office switches.

Outside Plant Facilities- The narrative should include information on the existing outside plant architecture (such as DLC design, FTTH design, or loaded plant design), on an exchange by exchange basis. Other details to provide should include but not be limited to:

(1) percentages of aerial, buried, and underground / conduit facilities within the system; (2) percentages of copper and fiber within the system; (3) the age and condition of existing plant. Information on average length and size of existing copper and fiber drops and other information that will give the agency reviewer a good understanding of the existing outside plant facilities.

Access Equipment – The type and quantity of access equipment that are currently deployed in the applicant’s system should be stated. Provide the number of existing digital loop carrier serving areas and fiber to the home nodes in the existing system. Provide the number of radio towers currently deployed if any and their coverage radius. Provide the condition and average age of the access equipment, etc.

Transport Equipment- A description of the applicant’s existing transport system such as the architecture (ring or point to point), type of equipment, condition, data rate and age.

Toll Traffic Routing – Information on existing location of meet points with toll connection companies, location of toll centers, and the data rate capacity of the toll link should be provided.

Existing Services Provided- The existing system narrative should also provide information on the type of services that are currently offered in the loan applicant’s service area (voice, data, wireless, video, etc) by the applicant or through an affiliated company.

Similarly, the narrative summarizing the **Proposed System** should be broken down into the following categories:

Design Summary and Analysis – The narrative should contain a general system overview of the proposed system describing: the (1) types of technologies to be deployed throughout the system; (2) the extent of the deployment (e.g. partial exchange build, entire system over build,

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specific exchange or builds, etc), (3) and reasons why particular portions of the system were selected for the deployment. A discussion of any alternate plans considered and reasons for the selection of the recommended plan should be included. Deviations from standard industry designs should include a cost benefit analysis. For example, the overwhelming majority of designs funded by RUS during the past 5-years have been FTTP designs. A proposed architecture that deviates from such a design (e.g. DLC, fixed wireless, etc) should include a cost benefit analysis.

Central Office – A description of Class 5 switches and/or softswitches that will be acquired and their proposed locations. This narrative should also include detailed information on any planned hardware & software upgrades for existing central office equipment (switches, terminals etc).

Outside Plant Facilities – A description of the type of outside plant facilities that will be constructed, whether it's aerial, buried, underground, copper, fiber, conduit, and for what purposes. Provide a range of cable size by number of pairs or fibers to be used in the project. If aerial plant is to be constructed, then state if existing poles are owned by the applicant or by another entity. If copper drops will be installed, then state the gauge of the cable used and the average length of the drops. The deployment of new copper plant must be supported in the Design Summary and Analysis section. The narrative should explain any unusual construction or operating problems anticipated for the proposed system and specifically point out any conditions such as excessive rock digging, heavy right-of-way clearing, and any other situation that have significantly influenced the cost estimates prepared for the system.

NOTE:

RUS encourages applicants to construct buried cable facilities instead of aerial cable facilities. If special circumstances require the construction of aerial plant, then please state the circumstances and the relative cost savings that would occur if a buried cable design is not pursued. All aerial facilities are required to meet the appropriate high wind and storm load conditions as required by RUS Bulletins [1751F-630](#) and [1751F-635](#).

Access Equipment – This narrative should include details of the proposed access equipment in the loan. For example, for a Fiber-to-the-Premises (FTTP) system, the number of optical line terminals (OLTs) and optical network terminals that will be acquired should be discussed. Describe the proposed architecture of the FTTP system and the FTTP standards that will be used. For DLC designs, include information on the number of remote equipment such as digital loop carriers (DLCs) that will be acquired and installed, and of those DLCs, provide a further breakdown as to how many of them will be for replacement of existing DLCs and how many of them will be for creating new carrier serving areas. Explain the type of services and data rates that will be offered using the new access equipment (for DLCs and for FTTP). If the applicant is proposing to deploy a wireless system, provide a description of the technology to be used, the coverage areas, the spectrum to be used, and whether it is licensed or unlicensed spectrum. If it is licensed spectrum, then the applicant should state the current status of the FCC license.

Transport Equipment – Discuss if there are to be any new purchases of transport equipment such as optical carrier equipment or digital microwave equipment. Give information on the capacity of the transport equipment and the status of any necessary FCC licenses.

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Towers – If the applicant will acquire and install towers under the loan, then a description of its structure, location, and height should be stated here. If a network of towers is to be built, such as for a backbone network or for subscriber access, then please provide information on the arrangement and layout of the towers.

Land & Buildings – If the applicant will construct or acquire any buildings, then the size, purpose and location of the building should be explained here. If the application requests funds for commercial office, garage, or warehouse facilities; an explanation of the need should be given. There should also be a statement as to whether the land for the proposed building and/or towers is owned or will be purchased. An exhibit is required including a plot plan and a floor plan showing dimensions and intended use of the space. All new buildings are required to meet the appropriate seismic safety conditions required by 7 CFR 1792 Subpart C. If there are to be any land purchases under the proposed loan, then the size, purpose, and location (if known) of the land should be included in this narrative.

NOTE:

Only Guaranteed FFB and Hardship funds can be used for the construction of a headquarters building.

Work Equipment/Vehicles/Office Equipment/Office Furniture - Information on the type and quantity of work equipment and vehicles to be included in the loan should be stated. Similar information should also be stated for office equipment and for office furniture.

NOTE:

Only Guaranteed FFB and Hardship funds can be used to purchase vehicles that are not for construction purposes.

Toll Traffic Routing – This narrative should include a description of any new toll routes, new meet points, or connecting companies. This section should also discuss whether connecting company concurrence is required and whether or not it has been secured.

Proposed Services - The narrative should also discuss the services that will be offered through the proposed system such as voice, video, data and etc.

Special Projects - If the application requests funds for facilities to serve large military or other governmental installations, industrial complexes, or similar subscribers involving investments in excess of \$100,000 for any single subscriber; an exhibit presenting a description of the service requirements, the facilities to be furnished, and the probable contract terms should be submitted.

Urban/Rural Statement - For initial loans, or loans for areas not previously financed by RUS, the narrative must fully discuss proposed improvements or expansions in an exchange serving a community over 5,000 in population. At a minimum, the information provided should include the name of the community, the number of existing and projected new subscribers, detailed cost

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estimates of the facilities involved, and information sufficient to establish the necessity for the use of loan funds must be provided.

For subsequent loans, the same information as detailed above must be provided for proposed improvements or expansions in an exchange serving a community over 5,000 in population which had a population of **more** than 5,000 at the time the facilities to serve the community **were first financed by RUS**.

For subsequent loans, an urban/rural breakdown is **not** required if the non-rural areas **were considered rural** by RUS at the time RUS first financed facilities to serve the community (The Once Rural, Always Rural rule). The borrower must include a statement to this effect. Additional information on the rural/urban breakdown is available at [7 CFR 1737.32](#).

Non-loan Fund Expenditures - If the applicant plans to use any non-loan funds for capital expenditures during the construction period, the amount and the purposes for which these funds will be expended should be stated in this narrative. The non loan fund expenditures described in this narrative must be supported by the RUS Forms 494 and 495. Please do not include operating and/or maintenance costs in this section as they cannot be capitalized.

Prior Loan Funds – For existing RUS borrowers with unadvanced prior loan funds, the narrative must include a detailed discussion on all unadvanced loan funds. If the applicant plans to use all unadvanced loan funds for prior loan purposes, the narrative must include a detailed description of prior loan purposes that have not been completed, their estimated costs, and a schedule, satisfactory to RUS, of when the borrower intends to fully drawn down these unadvanced loan funds.

If the applicant plans to rescind all unadvanced prior loan funds, the narrative must include a statement of whether or not the borrower has completed all prior loan purposes or that the purposes of the prior loan are no longer required to extend or improve telecommunication services. All RUS borrowers are encouraged to notify the Agency, in writing, when loan funds are no longer needed.

TIP: When writing the narrative of the loan design, picture yourself as an agency reviewer who has no knowledge of your company and systems. In addition, reviewers are unlikely to have first-hand knowledge regarding your specific locale or circumstances so we encourage applicants to always provide detailed documentation to substantiate the information in their loan applications. This approach to the narrative should be followed even when the application is for a subsequent RUS loan.

D-2. Certifications

Loan Design Certification

All loan applications are required to have a loan design certification. The following certification must be signed by a principal of the engineering firm and the borrower:

We, the undersigned, certify that the data in this Loan Design are correct to the best of our knowledge and belief and reasonably reflect the cost to serve the subscribers as proposed on the Forms 569, "Area Coverage Data Report," which are integral parts hereof, and that this Loan Design adheres to RUS engineering and construction standards and practices.

President/General Manager
"XYZ" Telephone Company

Date

President
"ABC" Engineering Company

Date

NOTE:

If the applicant chooses to prepare the Loan Design using company staff or a consultant that is not a registered engineer licensed in the state in which the facilities will be constructed, the applicant will need to have a registered engineer, licensed in the state, certify that the proposed system/network described in the Loan Design will be capable of delivering all proposed telecommunications services.

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State Telecommunications Modernization Plan (STMP) Certification

For information on RUS loan policies with respect to State Telecommunications Modernization Plans (STMPs), see 7 CFR Part 1751.

With the exception of a 100% guaranteed Federal Financing Bank (FFB) loan, all RUS loans must comply with the STMP where facilities are being constructed. As such, all loan applications (with the exception of 100% FFB) are required to have a certification signed by the president of the telephone company as indicated below:

I, the undersigned, certify that the proposed infrastructure for the access network and the equipment proposed for service delivery to subscribers in this Loan Design conform to the State Telecommunications Modernization Plan (STMP) for the State of _____ (Insert State)

President
“XYZ” Telephone Company

Date

NOTE:

If the applicant provides service in two or more states, the STMP certification must cover all states served by the applicant. A 100% Federal Financing Bank (FFB) loan is exempt from the STMP requirements.

D-3. Construction Cost Forms

RUS Form 494, “Loan Design Summary”

The RUS Form 494, “Loan Design Summary,” or its equivalent is required for every loan. This Form must show all expected 5-year construction costs, including all loan and non-loan funds to be used. Any general funds expenditure for construction purposes, detailed on the Form 495 for each exchange, should reflect in the Total Construction Column of the Form 494. The Form 494 consists of Part A and Part B. The Part A (which includes sections A through D) addresses all proposed expenditures while Part B (which includes Sections E and F) addresses proposed funding sources for the expenditures detailed in Part A.

Section A of the RUS Form 494 summarizes the cost estimates detailed on the RUS Form 495 for each exchange. All exchanges, for which loan and non-loan funds are proposed, must be listed in this section of the Form 494.

Section B of the RUS Form 494 lists the pre-loan and post-loan engineering cost estimates. The pre-loan engineering estimate should include all engineering costs anticipated in preparing the complete loan application. A review of RUS Form 835, “Pre-loan Engineering Service Contract,” is recommended as a basis for estimating the costs which may result in connection with pre-loan engineering. Please include an allowance for miscellaneous post-LD submission work that will be performed by the engineer such as preparation for special meetings, commission hearings, or other negotiations which may occur prior to the Post-Loan Engineering Service Contract phase.

Section C of the RUS Form 494 lists cost estimates for support and other assets proposed in the LD narrative.

For Office Equipment, the total system costs are to be shown on a separate line instead of the individual exchanges. Line item C-1 should be used for Furniture and Office Equipment costs. Line item C-2 should be used for General Purpose Computer costs. Please include the cost of all equipment to be purchased of the type carried in FCC Accounts 2122, 2123 and 2124. Removal costs, if any, should be given.

For Vehicles and Work Equipment, the total system costs are to be shown on a separate line instead of the individual exchanges. Line item C-3 should be used for Vehicle costs. Line item C-4 should be used for Work Equipment costs. Please include the cost of all equipment to be purchased of the type carried in FCC Account 2114 as well as test equipment which is normally carried in other accounts (such as COE) but is used on a system-wide basis rather than in a particular exchange.

Section D of the RUS Form 494 lists cost estimates associated with other proposed expenditures such as acquisition, refinancing etc. Please note that when refinancing is necessary and incidental to furnishing or improving telephone service in rural areas, funds to refinance the applicant’s outstanding indebtedness should not constitute more than 40 percent of the total loan request.

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Section E of the RUS Form 494 lists prior loan funds that are available for newly proposed projects. Please note that the maturity and expiration dates (if applicable) of prior loan funds will not change even if prior loan funds are approved for new loan purposes. This “Section E” should be left blank if the applicant plans to rescind all unadvanced prior loan funds or if prior loan funds will still be used for prior loan purposes as described in the loan design narrative.

Section F of the RUS Form 494 lists the sources of non-RUS loan funds available to support proposed expenditures in Part A of this form. Please note that all non-loan funds must be supported by the loan design narrative.

NOTE:

All applicable sections of the RUS Form 494 must be completed by the applicant with the exception of sections designated “For RUS Use Only.”

RUS Form 495. “Construction Cost Estimates”

The RUS Form 495, “Construction Cost Estimates,” or its equivalent must be prepared for **each** exchange in which system improvements or additions are proposed. In addition, a Form 495 **summarizing** the costs for the total system is also required. The Forms 495 provide a detailed breakdown of all construction cost estimates needed for the proposed project. This includes all proposed construction costs using loan and non-loan funds. An explanation of the method used in developing these cost estimates must be included in the narrative. The LD narrative must include a detailed description of all factors that significantly influenced the cost estimates prepared for the system. In other words, the narrative must support the estimates for each exchange. The “Total Construction” column must also reflect all proposed general funds capital expenditures. These non-loan funds should be broken down into the construction categories on the Form 495 (i.e. COE & EE, OSP, L&B). RUS will notify the borrower if major changes need to be made to the cost estimates, the proposed design or any other significant matter. The amounts budgeted generally will be rounded to the nearest \$1,000.

Part A of the Form 495 must reflect the cost estimates for proposed Central Office Equipment (COE), Electronic Equipment (EE), Outside Plant (OSP) facilities, Land and Buildings (L&B). Cost estimates for equipment listed on the RUS Form 495 should include the cost of the equipment, spares, installation cost and warranty. For instance, the cost to install an optical network terminal (ONT) is capitalized with the cost of the ONT equipment. Consequently, installation costs for ONT equipment should be in the equipment budget and not the outside plant budget. While equipment and installation costs may be lumped together on the Form 495, the cost estimates must be supported by detailed COE Exhibits listing the applicant’s cost breakdown for each line item on the Form 495.

The cost estimates for OSP facilities must be prepared on the basis of estimated buried or underground route miles for the various configurations, and sizes and types of facilities. For proposed FTTP construction, estimated route mileages and costs for FTTP drops may be lumped together with buried facilities. Removal costs and Rights-of-Way procurement costs, if any, should be listed by exchange. The OSP budget should also include the cost of grounding Network Interface Units such as ONTs. All construction activities and facilities covered by RUS-defined OSP work units can be capitalized and included in the OSP cost estimates.

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The cost for new buildings and/or additions to buildings should be estimated on a cost-per-square-foot basis. The type of building (such as headquarters, Central Office, warehouse, garage, etc) should be indicated. The cost estimate should include associated costs such as paving, landscaping, fencing, etc. The cost for any new land required should be provided. Removal costs of retired plant, if any, should be provided.

Part B of the Form 495 must reflect route mileage information as a result of the proposed loan. This net total is the existing miles, plus “new” route miles, less the mileage to be retired. Drops or buried services are to be included. The mileage to be modified does not affect the total since it is the amount of the existing plant to be changed, modified or replaced. The sum of “Modified” and “New” miles, if any, should reflect the route mileages listed in Part A of the Form 495. In addition, the sum of existing Route Mileage listed on the RUS Form 495 must match the total Route Mileages reported in Part C of the applicant’s Operating Report for Telecommunications Borrowers for the prior year end. The net system mileage is needed to calculate the system subscriber density. For this purpose, a route may include one or more types of facilities, such as aerial and buried plant, and may include facilities for distribution, toll service and EAS. The facilities along both sides of a road are generally considered to be along the same route. An exception to this would be the case of limited access highways or other streets where separate facilities are installed to serve on each side because crossings are prohibited or undesirable. Microwave or radio links are considered separate routes. Service drops off the main route are considered as additional route mileage.

The route miles of facilities should be determined and inserted in the proper category. “Existing” route miles are the route miles of facilities in place at the time the report is prepared. If the Area Coverage Design does not include all central office areas in the system, then the “Existing” route miles of those exchanges not included should be stated in the narrative. “New” route miles include only facilities to be built along “new” routes. Route miles to be “Retired” occur when all the facilities along the route are no longer used. This also applies to plant that has been retired-in-place due to high removal costs. Plant is considered to be “Modified” when existing plant is reinforced or replaced with new facilities along the same route.

***TIP:** With the exception of first time loan applicants, applicants should make sure the mileage information on the Form 495 matches the mileage information on the Operating Report for Telecommunications Borrowers (RUS Form 479). Any discrepancy between the two will delay the overall processing of the loan application.*

Part C of the Form 495 must show the original cost of all types of telephone plant to be retired and estimated salvage value. The retired plant must include all outside plant facilities and electronics to be retired whether or not the route is abandoned. For instance, proposed Fiber-to-the-Premises (FTTP) overbuilds will have little/no use of existing copper routes and associated equipment. Original costs can be pulled from the applicant’s Continuing Property Records (CPR). When the actual original cost cannot be determined, reasonable estimates will be accepted.

***TIP:** It is important that information provided under Part C is accurate in order to prevent delays in processing the loan application. These dollar figures are essential to RUS reviewer’s financial analysis.*

Construction Schedule

A projected construction schedule should be submitted to support the overall project buildout during the 5-year period by budget category. The schedule should include both loan funded and non-loan funded construction. A sample schedule is provided in Appendix A of this guide. This schedule or equivalent can be used or modified as appropriate.

D-4. Exhibits to Support Cost Estimates

All exhibits submitted to support cost estimates for the COE, Electronic Equipment and OSP facilities listed on the RUS Form 495 should be placed under a separate tab in the Loan Design package. These exhibits should be assembled and presented in a manner and form that is most useful to the borrower and to RUS in reviewing it and in analyzing the construction cost estimates. Separate exhibits should be prepared for each construction category. For instance, the exhibit supporting OSP cost estimates should be separate from the exhibit supporting COE cost estimates. The exhibits must also support all loan and non-loan funds estimated for these construction categories. The use of lump sums should be avoided. Applicants may use RUS work units or self-defined work units as long as the work units are fully described in the narrative. Self-defined work units do not include operating and/or maintenance expense items, and the costs associated with these work units are not lumped together. For instance, RUS cannot accurately capitalize and/or depreciate a lump sum for “Fiber-to-the-Premises electronics” without additional supporting information.

COE Exhibits should be submitted for the proposed system and also by exchange areas. When practical, the COE Exhibit for each exchange should all appear on one page. A typical COE Exhibit would include the name/description of the proposed equipment, quantities needed, unit prices and extended costs. All equipment cost estimates should include installation costs.

All OSP cost estimates on the Forms 495 must be supported by detailed OSP Exhibits listing the applicant’s cost estimates for each proposed OSP work unit. If non-RUS defined work units are used, a detailed description of the OSP facilities, route miles/quantity needed, unit prices and extended costs should be included in the OSP Exhibit. The OSP Exhibit should also indicate those OSP facilities that will be placed within the town section of each exchange area and those facilities that will be placed outside the town sections. When practical, the OSP exhibit for each exchange should all appear on one page. Please note that RUS does not fund inside wiring (i.e. wiring from the telephone company’s demarcation point to the jack inside the customer’s premises) or customer premise equipment (CPE) placed after the demarcation point.

D-5. Exchange Location Map(s)

A map showing the location of the exchange area(s) on a state map is required for all loan applications. A color map is preferred though not required. Although the map does not need to be to scale, it must be representational of your exchange area(s).

D-6. Network Diagrams

Separate Network diagrams for the applicant's **Existing** Network and **Proposed** Network are required for all loan applications. The network diagrams shall be block diagrams that clearly show how the traffic flows through the network including inter-exchange routes and the interconnection points connecting companies. The diagram(s) must clearly show:

- a. All physical locations where the major network elements are or will be located to the highest known level of detail. This may take the form of postal addresses or latitude and longitude
- b. The route miles between each network element
- c. The bandwidth capacity between the network elements (including fiber or pair counts etc).
- d. The types of facilities (fiber, copper, microwave, etc.) that are or will be used for establishing the connection between the network elements and the points-of-connection with the connecting companies
- e. Any leased facilities, along with the location of the leased facilities (postal addresses or latitude and longitude) and the providers from which the facilities are being leased

The loan design narrative must include a description of the toll connection arrangement (connecting company and location) along with a listing of the miles of plant owned in each exchange. A detailed description of any proposed change to the existing connecting company arrangements must also be included in the narrative.

D-7. Depreciation Rates

In evaluating feasibility of loans, RUS is required to use depreciation rates based on the following criteria:

- (1) In states where the borrower must obtain state regulatory commission (PUC, PSC etc) approval of depreciation rates, RUS uses the depreciation rates currently approved by the state commission or rates for which the borrower has received state commission approval;
- (2) In cases where a state regulatory commission does not approve depreciation rates, the most recent median depreciation rates published by RUS for all borrowers (see 7 CFR 1737.70) shall be used.

The depreciation rates will be used to calculate depreciation expense and the composite economic life of the facilities financed by the loan.

D-8. The Environmental Report (ER)

RD is responsible for implementing the requirements of the National Environmental Policy Act of 1969 (NEPA), as amended; the Council on Environmental Quality Regulations for Implementing the Procedural Provisions of NEPA and certain related Federal environmental laws, statutes, regulations, and Executive Orders (EO) that apply to RD programs. The policies and procedures set forth in 7 CFR Part 1794 – Environmental Policies and Procedures, assist RD with making decisions that are based on an understanding of environmental consequences, and taking action that protects, restores and enhances the environment.

Applicants are responsible for ensuring that proposed actions are in compliance with all appropriate RD requirements. Therefore, applicants must prepare an environmental report in accordance with 7 CFR Part 1794, for any facilities that will be constructed with RUS loan funds. A copy of 7 CFR Part 1794 can be retrieved from RD's website at the following link:

http://www.rurdev.usda.gov/RDU_Regulations_Telecommunications.html.

In addition, applicants can also retrieve the *Guide for Preparing an Environmental Report for Categorically Excluded Projects* to assist in the preparation of the Environmental Report. The link for this guide is http://www.rurdev.usda.gov/SupportDocuments/UTP_Bulletins_1794A-600.pdf.

D-9. Interim Financing Request Letter (if needed)

Under special circumstances, a borrower may request that RUS approve the use of its general funds and/or short-term loans, as interim financing, for a project which RUS has acknowledged will be included in a loan, should said loan be approved, but for which RUS loan funds have not yet been made available.

For a borrower to preserve the option of obtaining loan funds for reimbursement of interim financing, it must obtain prior RUS approval of its interim financing plan and follow the procedures in 7 CFR and 7 CFR 1737.42. RUS will approve interim financing only for projects which must be performed immediately. Since each loan has a 5-year construction period, RUS will not approve interim financing for 100% of the loan amount except when the borrower has submitted supporting documentation, satisfactory to RUS, showing that all proposed construction in the loan application can and will be completed within the first 1 year of the construction period. Please note that RUS approval of interim financing is not a commitment that RUS will make loan funds available.

The Interim Financing request letter must include:

1. A description of the construction proposed under interim financing.
2. An explanation of the urgency of proceeding with the proposed construction.
3. An estimate of the cost.
4. The source of funds to be used for interim financing.

RUS will not approve a borrower's request for approval of interim financing if:

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1. The interim financing request does not comply with the requirements of 7 CFR 1737 Subpart E.
2. The proposed interim construction will not qualify for RUS financing.
3. The interim financing request presents unacceptable loan security risks to RUS, or otherwise is not in the best interests of RUS.
4. The Environmental Report for proposed interim construction has not been approved by RUS.

If RUS loan funds are approved for a borrower and the borrower had received interim financing approval from RUS, the first advance of loan funds (after RUS releases the loan funds) is generally limited to funds required to repay any interim financing indebtedness (up to the amount approved by RUS) and such additional amounts as RUS deems necessary. After the first advance, RUS will make no further advances of loan funds until the borrower has submitted evidence, in form and substance satisfactory to the Administrator, that:

1. Any indebtedness created by the interim financing and any liens associated therewith have been fully discharged of record; and
2. The borrower has satisfied all other conditions on the advance of additional loan funds.

If the source of funds for interim financing is the borrower's internally generated funds, the borrower may request reimbursement of those funds along with advances for other purposes on the first Financial Requirement Statement (FRS) Form 481.

E. Financial and Legal Requirements

At a minimum, loan applicants need to submit sufficient financial information that will enable RUS to determine if the proposed project is feasible from a loan standpoint. It is incumbent upon the applicant to provide RUS with sufficient financial information needed to determine loan feasibility and security. This is required of all applicants.

Facilities financed by the Infrastructure Loan Program are typically constructed over a five year period (Forecast Period). The loan feasibility studies used by RUS assume this Forecast Period. The feasibility study is also used to forecast the applicant's Times Interest Earned Ratio or TIER. The TIER is one measure of an applicant's ability to repay the loan. For all loans approved after December 22, 2008, RUS borrowers are required to maintain a TIER at least equal to the Projected TIER in the feasibility study which must be at least 1.0 (for Cost of Money and Hardship loans) or 1.2 (for RUS-guaranteed FFB loans). RUS will not require a TIER of not greater than 1.5.

All applicants will be required to submit a 5-year pro-forma financial forecast. This forecast must cover at least 5 years and should include all operations of the applicant – existing and proposed. It should be very detailed, taking into account your best estimates for start-up costs (if any), revenues, expenses and all financial data related to any subsidiaries. The financial forecast must include a balance sheet, income statement, statement of cash flow and detailed assumptions to support these figures. The assumptions must be in a narrative format clearly addressing each revenue and expense line item.

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In recent years, we have seen many of our applicants generate a significant portion of their net income from non-operating and non-regulated income. Although we ask you to enter data from these other income streams in your five-year financial projection, we also want to see these non-operating and non-regulated income streams further broken down into their components. As a result, separate five-year projections for these other incomes must be included in the loan application and submitted to RUS. The projections should be as detailed as possible explaining the types of incomes, the basis for their projections and all assumptions used for the projections. If these incomes are from affiliated companies, then as much information as possible should be provided on the affiliated companies and any significant increase or decrease in income should be explained in detail. If the incomes are subscriber driven, such as video, phone or internet, then a projection of subscriber numbers along with revenue per unit should be provided to substantiate the forecast.

Key financial ratios used by RUS may include but are not limited to:

$$\text{TIER} = (\text{Net Income} + \text{Fixed Charges}) / \text{Fixed Charges Telecom Debt Service}$$

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

$$\text{Net Worth to Total Assets} = \text{Equity} / \text{Total Assets}$$

$$\text{Debt Service Coverage Ratio (DSCR)} = \frac{(\text{Net Income} + \text{Fixed Charges} + \text{Depreciation} + \text{Amortization})}{\text{Annual Debt Service Payments}}$$

E-1, Financial Statements, Projections and Assumptions

Complete Historical Financial Statements

At a minimum, the applicant's complete historical financial statements for the previous four *calendar* years will be required. The Financial Statements should include the Balance Sheet, Income Statement, and Statement of Cash Flows for the applicant (*on a non-consolidated basis*) as well as the supporting schedules for Network Access Services Revenue, Non-operating Net Income and Non-regulated Net Income.

Five-Year Financial Projections.

This consists of a Pro-Forma supplemented by additional data. The pro-forma should use the Federal Communications Commission's Uniform System of Accounts 47 CFR Part 32 that corresponds to the RUS Operating Report for Telecommunications Borrowers. All financial projections should include four-year historical data and be presented in a stand-alone manner as in the RUS Operating Report instead of the consolidated format used in some year-end audits. We ask that applicants provide copies of their projections in an electronic spreadsheet format (e.g. Excel). Additional details on the required pro-forma statements are shown below.

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Assumptions and Explanations

A detailed narrative should explain and supplement the Financial Statements and the Five-Year Forecast. Some revenue and expense line items may follow historical trends, while other items may significantly diverge from this trend either on a “one-time” basis or the foreseeable future. Please explain any unusual or atypical line item revenue and expense forecasts-especially those involved with non-operating, non-regulated or extraordinary accounts. Make certain that this narrative is consistent with the project as presented in the Loan Design (LD) part of your application. In particular, state and explain the basis for any assumptions used in the projections (for example, composite average growth rate).

Financial forecasts submitted to RUS as evidence of repayment are not expected to be limited to the items previously discussed herein. Forecasted one-time revenues or expenses that are not expected to represent the normal operation of the organization are not to be included in the TIER or DSCR calculations. Applicants may use a different methodology that is reasonable for them to forecast future net income; and this methodology and associated assumptions must be clearly explained to RUS in order for a proper evaluation of the reasonableness of the forecast.

Sample pro-forma statements and supplemental schedules are available on the RUS website: http://www.rurdev.usda.gov/utp_infrastructure.html. The schedules and instructions for completing the schedules are also provided in Appendix B of this guide.

E-2. Competitive Analysis

The applicant must submit a competitive market analysis for each exchange of the applicant's system. The competitive analysis shall contain the following information for each exchange:

1. A list of all existing service providers and all resellers competing in the applicant's service areas (and the broader market area, if applicable), including cable TV operators, regardless of the provider's market share, for each type of service the applicant proposes to provide.
2. Information on each competitor's service offerings and pricing, the area that is being covered, and to the extent possible, a description of the quality of services being provided.

In addition to the above information a **narrative** that describes the applicant's strategic approach for how it intends to successfully compete against existing service providers. This analysis should compare the applicant's offering with their competition's and describe how the applicant will successfully win new customers, including those of its competitors. The narrative shall describe any incentives, marketing and pricing strategies, as well as strategies the applicant will use to counteract any advantages or strategies used by the competition.

Informal or casual knowledge about existing service providers is generally inadequate to develop an effective strategy for an applicant to successfully compete in a market. The competitive analysis should demonstrate that the applicant has detailed knowledge of its competitors, an understanding of its competitor's strategies, investments and capabilities, and presents its own strategy for successfully competing against these competitors.

A sample form that may be used to provide the data in items 1 and 2 follows:

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Competitive Analysis – Existing Providers

EXCHANGE NAME: _____

	Residential Services			Business Services		
Service Provider	Service	Service Tier	Price	Service	Service Tier	Price
Provider #1						
Provider #2						
Provider #3						
Provider #4						
Provider #5						

NOTE: Complete a separate table for each service area, or a broader market area if areas outside the service area will be included in the feasibility analysis, regardless of projected penetration rates. Add rows or pages as needed to accommodate additional service providers. Include all resellers in a service area as service provider

E-3. Corporate Structure

The applicant shall submit an organizational chart illustrating all the other entities (parent/subsidiaries) that are affiliated with the applicant and clearly indicating the relationships between these entities and the applicant. An accompanying narrative should briefly indicate any services that the affiliate will be providing to the applicant or that the applicant will be providing to the affiliate.

E-4. Legal Opinion and Property Schedule

A **legal opinion** shall be prepared in a format acceptable to RUS. A sample legal opinion is included in the appendix to this application guide. The legal opinion should address the applicant's ability to execute legal documents, and describe all pending litigation matters. The applicant's legal counsel must submit an executed opinion on counsel's letterhead. Please note that the applicant's DUNS number must be indicated in the legal opinion.

A real **property schedule** must be submitted with the legal opinion. The property schedule should include the legal descriptions of all the real property owned by the applicant. It should be categorized into real property, leased property, easements, and rights-of-way. The property schedule must be submitted in hardcopy AND electronic format (word, word perfect, text, etc). The electronic format will be used to generate legal documents if the loan is approved by RUS, and as such a .pdf file will not work for this purpose.

E-5. Operating Reports / CPA Audits

The applicant must have certified financial statements for the last 3 years on file with RUS.

For Existing RUS borrowers: Since all borrowers are required to submit yearly Operating Reports and CPA Audits through the RUS Data Collection System (DCS), as long as the borrower is current on their reporting requirements, it is unnecessary for the loan applicant to submit hard copies of the Operating Report or CPA Audit with the loan application.

For New RUS loan applicants: Operating Reports for the last 3 calendar years must be filed electronically through DCS. New applicants will need to obtain a USDA eAuthentication User ID, in order to enter the information into DCS. For additional information on DCS, please use the following link: http://www.rurdev.usda.gov/UPA_Data_Collection_System.html. If available, include CPA Audits for the last 3 fiscal years in your application.

E-6. Compliance Certificates

The following documentation must be submitted by all loan applicants (initial loan applicants and borrowers seeking subsequent loans):

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1. A “Certification Regarding Lobbying” for loans, or a “Statement for Loan Guarantees and Loan Insurance” for loan guarantees, and when required, an executed Standard Form LLL, “Disclosure of Lobbying Activities.” This must be on company letterhead.
2. Executed copy of Form AD-1047, “Certification Regarding Debarment, Suspension, and Other Responsibility Matters—Primary Covered Transactions”

E-7. Requirements for Initial Applicants (or changes for Existing Borrowers)

For existing borrowers with any changes in the items listed below and all initial “A” loan applicants, the following items must be submitted with the loan application:

1. Name of attorney and manager, and certified copies of board resolutions selecting them.
2. Certified copy of articles of incorporation showing evidence of filing with the Secretary of State and in county records.
3. Certified copies of bylaws and board minutes showing their adoption.
4. Certified sample stock certificates.
5. Amounts of common and preferred stock issued and outstanding.
6. Names, addresses, business affiliations, and stockholdings of the manager, officers, directors, and other principal stockholders (those owning at least 20 percent of borrower’s voting stock).
7. Certified copies of real estate deeds showing all recording information.
8. Service agreements, such as for management or system maintenance.
9. Certified copies of existing leases, except those for vehicles, furniture and office equipment, and computer equipment.
10. Certified copies of existing franchises.
11. Information on any franchises required as a result of the proposed loan project.
12. Federal Communications Commission (FCC) authorizations (including approval to obtain USF).
13. Certified copy of a certificate of convenience and necessity
14. For toll, operator office, traffic, and EAS agreements, the names of all parties to the agreement, the type of agreement, and the effective and termination dates of the agreement and annexes, and the exchanges involved.
15. Copies of rate schedules. (A copy of the tariff must be available for review by the RUS field representative.)
16. Executed copy of RUS Form 291, “Certification of Non-Segregated Facilities.”
17. Uniform Relocation Assistance Certification
18. RUS Form 266, “Civil Rights Compliance Assurance”
19. RUS Form 675, “Certificate of Authority”
20. RUS Form 87, “Request for Mail List Data”
21. Outside Lender Concurrence (if required).

E-8. Refinancing and Acquisitions

Refinancing: Loans for refinancing are not made solely to enable borrowers to obtain a lower interest rate or longer amortization period. Generally, RUS will consider loans for refinancing only if deemed necessary by RUS to provide itself with adequate security (for example, if the other lender refuses to share a lien with RUS). Refinancing may not constitute more than 40 percent of the entire loan. For more information on refinancing loans, see 7 CFR Part 1735.21.

Loan applicants that request funds for refinancing must submit the following:

1. Copies of all bonds, notes, mortgages, and contracts covering outstanding indebtedness proposed to be refinanced.
2. For each note or bond, the name of the creditor, original amount of debt and amount as of last year-end, purpose of debt, dates incurred and due, interest rates, and repayment terms.
3. Justification for refinancing and evidence that the use of loan funds is necessary and incidental to furnishing or improving rural telephone service.

Acquisitions: RUS will finance an acquisition by a borrower only when the acquisition cost is necessary and incidental to furnishing or improving rural telephone service and the service area to be acquired is eligible for RUS financing (i.e. the acquisition to be financed by RUS must be less than the proposed improvements). Generally, RUS will not make a loan for the acquisition of an existing borrower. For more information on acquisitions, see 7 CFR Part 1735 Subpart G.

Loan applicants that request funds for acquisitions must submit an appraisal, for the facilities to be acquired, from a qualified entity to determine the reasonableness of the acquisition price. If the acquisition price exceeds the amount that RUS will lend, the borrower must provide the remainder.

NOTE:

Borrowers requesting loan funds for acquisitions should refer to RUS bulletins 320–4, 321–2, 325–1, and 326–1 for requirements.

Section IV - Putting it all Together

Please assemble and tab your loan application in the following order, which is the same order as described under Section III - *The Complete Application*.

- A. Cover Letter including Selection of Loan Type
- B. RUS Form 490, “Application For Telecommunications Loan”
- C. Area Coverage Survey (ACS) and RUS Form(s) 569
- D. Engineering / Loan Design (LD)
 - Narrative
 - Certifications
 - Construction Forms 494, 495 and Construction Schedule
 - Support Exhibits for all estimates
 - Exchange Location Map(s)
 - Network Diagrams (Existing and Proposed)
 - Depreciation Rates
 - Environmental Report
 - Interim Financing Request (if applicable)
- E. Financial and Legal Requirements
 - Financial Statements, Projections, and Assumptions
 - Competitive Analysis
 - Corporate Structure / Organizational Chart
 - Legal Opinion and Property Schedule
 - Compliance Certifications
 - Requirements for Initial Applicants (or changes for Existing Borrowers)
 - Refinancing and Acquisitions

Section V – Loan Application Submission, Review, and Approval Process

A. How to Submit a Loan Application

Applications can be submitted throughout the year and will be reviewed and processed on a first-come, first-served basis. The RUS field representative assists each prospective applicant in assembling a complete loan application. Please submit an original and two copies of a completed application to your respective GFR who will review and then forward the packages to RUS headquarters. We encourage borrowers and consulting engineers to also retain, as file copies, additional copies of all documentation sent to RUS. Please note that certain information is required from initial loan applicants but usually not from borrowers seeking subsequent loans.

NOTE:

All loan applications that are submitted directly to RUS headquarters in Washington, without the GFR review and/or recommendation, will be returned back to the applicant without review.

B. LD Eligibility & Completeness Review

Final eligibility and completeness approval of the LD is given by the relevant Division Office in RUS. Upon receipt of the LD and any other required information, RUS makes a preliminary analysis of the loan application package. The application will be reviewed for rurality eligibility, completeness and quality. The completeness review will include an assessment of whether all required documents and information have been submitted, and whether the information provided is of adequate quality to allow for further analysis. Minor items may be requested during this period.

RUS will make a determination of completeness of the application package and will notify the borrower of this determination, in writing.

1. If the application is complete and of adequate quality, program staff will notify the applicant in writing that the application is complete. RUS may still request additional information to complete the financial and technical feasibility evaluations.
2. If the application is of adequate quality but incomplete, program staff will notify the applicant in writing that the application is incomplete. The notification of incompleteness will include a list of items that the applicant must address by a specified date.
 - a. If the applicant fails to respond by the specified date, RUS will return the application package to the applicant.
 - b. If the applicant responds by the specified date but does not satisfactorily address the issues identified, program staff will assess the applicant's progress towards the submission of a complete application. If the applicant has made acceptable progress, a second notification of incompleteness may be provided. If the applicant's progress is not acceptable, RUS will return the application package to the applicant.

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3. If the application is not of adequate quality, program staff will notify the applicant in writing that the application cannot be accepted. The letter notifying the applicant will include an explanation of the reasons for the non-acceptance.

NOTE:

Loan applications returned by RUS are without prejudice and borrowers may resubmit the completed application at a later date.

C. RUS Engineering & Feasibility Studies Review

After an applicant is notified that the application is complete, RUS will evaluate the applicant's financial and technical feasibility, as well as its compliance with statutory and regulatory requirements. To be approved, the LD must be feasible, cost effective, include appropriate technology, and provide area coverage. The loan applications are evaluated as follows:

1. RUS will only make a loan if the applicant's financial operations, taking into account the impact of the facilities financed with the proceeds of the loan and the associated debt, are financially and technically feasible, as determined by RUS.
2. Financial feasibility will be determined by evaluating the applicant's financial statements and projections, market surveys (if required), competitive analysis, and other relevant information in the application.
3. Technical feasibility will be determined by evaluating the applicant's network design in conjunction with other relevant information in the application.

If the loan application meets all statutory and regulatory requirements and the feasibility study demonstrates that the TIER requirement can be satisfied (see section C-1 and C-2), the loan will be presented to the RUS credit committees for consideration. Submission of the application to the credit committees does not guarantee that a loan will be approved. The applicant will be notified of RUS' decision in writing as follows:

1. If the loan is approved, a loan offer will be extended. The offer letter will specify the number of working days the applicant has to respond with its acceptance of the offer.
2. If the loan is not approved, a rejection letter will be sent to the applicant and the application will be returned with an explanation of the reasons for the rejection.

D. Post Loan Approval

Loan Documents

Immediately after a loan is approved, Loan Documents are prepared by RUS and sent to the borrower along with instructions for execution, recording and submittal. The borrower's attorney should follow the instructions and also double-check the assembled items prior to returning to RUS to insure that all items are complete.

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Release of Funds

Once all Loan Documents have been received and determined to be acceptable, the borrower will be notified in writing when funds are available. At this point, all funding is in order to allow processing of contract documents and requests for advance of funds. Interim financing arrangements should be terminated through the repayment of any short-term financing arrangements. An Interim Financing Addendum is no longer necessary in contract documents once funds have been released. The first advance of funds must include adequate funds to conclude all interim financing arrangements. Please review 7 CFR 1737 Subpart K for release of funds requirements.

Requisition of Funds

The Financial Requirements Statement (FRS), RUS Form 481, is the method for obtaining loan funds. The FRS must be signed by an authorized official listed on the Certificate of Authority, RUS Form 675, submitted with the loan application. Borrowers are encouraged to consult with their General Field Representative (GFR) when preparing the FRS.

Section VI – Frequently Asked Questions and Problems

What is the Telecommunications Infrastructure Loan Program?

The Telecommunications Infrastructure Loan Program is one of the many lending programs within Rural Development (RD), United States Department of Agriculture and is committed to helping improve the economy and quality of life in all of rural America. RD financial programs support such essential public facilities and services as water and sewer systems, housing, health clinics, emergency service facilities and electric and telephone service. More information regarding RD and its loan programs is available at: <http://www.rurdev.usda.gov/index.html>

Who can apply for a Telecommunications Infrastructure Loan Program Loan?

Any entity providing or who may hereafter provide telephone service in rural areas. Certain restrictions apply. Refer to 7 CFR 1735.14 for further clarification.

What is telephone service?

The Telecommunications Infrastructure Loan Program definition of telephone service means any communication service for the transmission or reception of voice, data, sounds, signals, pictures, writing, or signs of all kinds of wire, fiber, radio, light, or other visual electromagnetic means and includes all telephone lines, facilities and systems to render such service. Refer to 7 CFR 1735.2

What is broadband service?

RD's definition of broadband service means any technology identified by the Administrator as having the capacity to transmit data to enable a subscriber to originate and receive high-quality voice, data, graphics, and video.

What types of loans are offered?

Three types of loans are available: Hardship, RUS Cost-of-Money, and Guaranteed (FFB) Loans. For more information on the types of loans visit 7 CFR 1735.20

What is the interest rate on these loans?

The Hardship Loans are fixed at 5 percent. The RUS Cost-of-Money Loans will bear interest at a rate equal to the current cost of money to the Federal Government for loans of a similar maturity, but not more than 7 percent per year. Guaranteed FFB Loans will generally bear interest equal to Treasury rate plus 1/8 percent (depending on options selected).

What are the terms of these loans?

Loans are to be repaid with interest within a period that equals the expected economic life of the facilities to be financed, as calculated by the Telecommunications Infrastructure Loan Program; expected composite economic life means the depreciated life plus three years. Refer to 7 CFR 1735.43

Principal payments on the loans are generally scheduled to begin two (2) years after the date of the first advance of loan funds.

Do we have to use all of the loan funds?

No. Any funds not needed may be rescinded and a rescission can be requested at any time by the borrower.

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Does the Telecommunications Infrastructure Loan Program offer lines of credit?

No.

Can we refinance other debt with Telecommunications Infrastructure Loan Program funds?

Yes, but restrictions apply. Refinancing loans are not made solely for the purpose of securing a lower interest rate or longer amortization period. The major purposes of the Telecommunications Infrastructure Loan Program loans are for upgrades and system improvements. Refer to 7 CFR for more details.

Does the Telecommunications Infrastructure Loan Program provide loan funds for the merger of two existing telephone systems?

No. The Telecommunications Infrastructure Loan Program does not make loans for the sole purpose of merging or consolidating telephone organizations. However, the Telecommunications Infrastructure Loan Program will consider making loans to the merged entity to finance the improvement or extension of telephone service in rural areas. Refer to 7 CFR 1735.19.

Does Telecommunications Infrastructure Loan Program provide loan funds for acquisitions?

Yes. RUS will finance the acquisition by a borrower of another system, lines, or facilities only when the acquisition is necessary and incidental to furnishing or improving rural telephone service. Refer to 7 CFR 1735.20 for more information.

Is there a prepayment penalty?

Not on the Hardship and Cost-of-Money loans. However, penalties may apply on FFB loans depending on what prepayment options the borrower selects. For more details refer to RUS Bulletin 320-12 (Fedwire Deposit System Wire Message Format).

What are acceptable forms of collateral for the loan?

For RUS Infrastructure borrowers, the current assets and all future assets of the entity are pledged as security for the debt. This pledge of assets is secured by a loan contract and mortgage. Loans made to Native Americans, Public Utility Districts, and Municipals are generally secured by a lien on the entity's revenue.

Why does RUS only require 3 years of certified financial reports (Operating Reports and Audits) on file, and yet RUS requires 4 years of historical data on the financial pro-forma in support of the loan application?

Since yearly Audits and Operating Reports submitted through the Data Collection System always have the previous year's data included for comparison purposes, 3 years of certified financial reports will yield 4 years of historical financial data.

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Common Problems

Provided below is a list of common errors RUS reviewers encounter with loan applications. While the list does not include all possible errors, we encourage RUS applicants to review the list below and make sure these common errors do not apply to their loan application package.

- The Application Form 490 was not signed.
- The Form 490 section on Federal Debt was not completed.
- The loan amount on Form 490 is not supported by the Forms 494 and 495.
- The organization's DUNS number was not provided in the legal opinion.
- The number of existing subscribers on the Form 490 does not match the Operating Report and the RUS Form 569 in the loan design.
- A Form 495 was not submitted for each exchange.
- The Form 495 has no retirement/salvage costs listed.
- Required Maps were not provided.
- Route mileage estimates of cable being upgraded and/or replaced in each exchange were not provided on the Forms 494.
- Capital expenditures to be made during the forecast period using non-loan/general funds are not supported by the Forms 494 and 495.
- The loan design does not include support exhibits/cost breakdown showing how the applicant came up with the costs estimates on the Forms 495.
- Loan funds are proposed for expense (operating/maintenance) items that cannot be funded by RUS.
- For existing borrower, the required Operating Report for Telecommunications Borrowers for the prior year ending has not been submitted.
- An Environmental Report was not submitted.
- Detailed assumptions used in forecasts were not provided.
- An electronic version of the Property Schedule was not provided.
- The number of existing broadband subscribers listed on Part B of the Form 569 does not match the No. of Broadband subscribers in Part C of the borrower's Operating Report.
- Forecasted number of subscribers was not adequately supported in the narrative.
- Estimated unaudited financial figures are significantly different from the Audited figures in the CPA Annual Report.
- The STMP certification was not signed by the President of the company.

Appendix A: Construction Schedule

PROPOSED CONSTRUCTION BUDGET (LOAN DESIGN)

	Total Project Budget			Year 1		Year 2		Year 3		Year 4		Year 5	
	GENERAL FUNDS (\$)	RUS FINANCING REQUESTED(\$)	TOTAL	General Funds	RUS Funds								
CENTRAL OFFICE & ELECTRONIC EQUIPMENT													
1. NEW SWITCH	\$ -	\$ -											
2. ADDITIONS	\$ -	\$ -											
3. UPGRADE	\$ -	\$ -											
4. OPERATOR SYSTEMS	\$ -	\$ -											
5. RADIO SYSTEMS	\$ -	\$ -											
6. TOLL ELECTRONICS	\$ -	\$ -											
7. EAS ELECTRONICS	\$ -	\$ -											
8. LOCAL SERVICE ELECTRONICS	\$ -	\$ -											
9. OTHER	\$ -	\$ -											
10. REMOVALS	\$ -	\$ -											
11. SUBTOTAL COE & ELECTRONIC EQUIP. (1 thru 10)	\$ -	\$ -	\$ -										
OUTSIDE PLANT													
12. BURIED PLANT - METAL	\$ -	\$ -											
13. BURIED PLANT - FIBER	\$ -	\$ -											
14. AERIAL PLANT - METAL	\$ -	\$ -											
15. AERIAL PLANT - FIBER	\$ -	\$ -											
16. AERIAL PLANT - POLES	\$ -	\$ -											
17. CONDUIT & MANHOLE SYSTEMS	\$ -	\$ -											
18. UNDERGROUND CABLE - METAL	\$ -	\$ -											
19. UNDERGROUND CABLE - FIBER	\$ -	\$ -											
20. OTHER (Describe)	\$ -	\$ -											
21. REMOVALS	\$ -	\$ -											
22. ROW PROCUREMENT	\$ -	\$ -											
23. SUBTOTAL OUTSIDE PLANT (12 thru 22)	\$ -	\$ -	\$ -										
LAND AND SUPPORT ASSETS													
24. MOTOR VEHICLES	\$ -	\$ -											
25. AIRCRAFT	\$ -	\$ -											
26. SPECIAL PURPOSE VEHICLES	\$ -	\$ -											
27. WORK EQUIPMENT													
28. BUILDINGS													
29. FURNITURE AND OFFICE EQUIPMENT													
30. GENERAL PURPOSE COMPUTERS	\$ -	\$ -											
31. LAND	\$ -	\$ -											
32. SUBTOTAL LAND & BUILDINGS (24 thru 29)	\$ -	\$ -	\$ -										
33. TOTAL CONSTRUCTION BUDGET (11+23+30)	\$ -	\$ -	\$ -										
PROFESSIONAL SERVICES													
34. ENGINEERING FEES	\$ -	\$ -											
35. ARCHITECTURAL FEES	\$ -	\$ -											
36. OTHER	\$ -	\$ -											
37. SUBTOTAL PROFESSIONAL SERVICES	\$ -	\$ -											
38. TOTAL PROJECT COST	\$ -	\$ -											
RETIREMENTS (Please include in Remarks below, any Salvage Value)													
1. COE & ELECTRONIC EQUIPMENT			\$ -										
2. OUTSIDE PLANT			\$ -										
3. LAND & BUILDINGS			\$ -										

Appendix B: Pro-Forma Guide and Schedules

Instructions for Preparing Pro-Forma Guide Supporting Schedules P & S

RUS conducts a financial evaluation of each complete application in an effort to make loan decisions that are in the best interest of the Federal Government and the rural communities to be served. It is the Applicant's responsibility to provide sufficient financial information and supporting justification to determine that the loan request meets all of RUS's requirements, will be feasible, and is adequately secured. Long-term forecast analysis should be based on knowledge of the external and internal factors that affect a company's operations. Historical and pro forma financial statements (Schedules P thru P-2) and supporting schedules (S thru S-4) are required to be submitted, must be in the **RUS Data Collection System (DCS) Operating Report** format, and should be prepared by a financial consultant, accountant, or individual qualified to prepare these types of financial statements. A hard copy of all pro-formas, schedules, and any other supporting information must be included in the application. An electronic copy of this information must also be submitted.

Required templates for the above financial statements and schedules are provided and consist of:

1. Income Statement – Schedule P
2. Balance Sheet – Schedule - P-1
3. Statement of Cash Flows – Schedule P-2
4. Network Access Revenues – Schedule S
5. Network Access Certification (Cost Settlements) - Schedule S-a
6. Network Access Certification (Average Settlements) Schedule S-b
7. Existing & Proposed Long-Term Debt – Schedule S-1
8. Deployment & Depreciation – Schedule S-2
9. Non-Operating Revenue & Expense – Schedule S-3
10. Non-Regulated Revenue & Expense – Schedule S-4
11. Account Numbers & Guidance for Schedule P (Income Statement) – Schedule S-5
12. Account Numbers & Guidance for Schedule P-1 (Balance Sheet) – Schedule S-5a
13. Account Numbers & Guidance for Schedule P-2 (Statement of Cash Flows) – Schedule S-5b

Historical and Pro-forma Financial Data (Schedules P thru P-2) & Audits

1. **What to Include:** Income statement, balance sheet, and statement of cash flow must be included.
 - Historical data of the Applicant for the last 4 **calendar** years, or for as long as the Applicant has been in business, if less than 4 years, must be entered into the templates and also submitted into the **RUS DCS Operating Report System**.
 - Pro-forma data of the Applicant for 5 **calendar** years must be entered into the templates.
 - If available, the last 3 fiscal year ending audited financial statements must be submitted.
 - *If the Applicant has a parent company and/or one or more subsidiaries, the historical financials for the preceding fiscal year of those entities are also required. Audited financial statements are preferred; however, see the preceding item for unaudited alternatives if*

audited financial statements are not available. These statements do not have to be entered into DCS.

- Applicants are required to submit a detailed written narrative that documents the assumptions and reasons used to prepare the pro-forma statements.
- **Every category or line in the historical and pro forma statements must be explained with clear details so that RUS may review and understand the financial projections. The assumptions and reasons must allow an RUS financial analyst to re-create the pro forma statements. If the financial forecast is not fully supported by a detailed narrative for every category or line, it may affect the final decision on the application. If there are any gaps or discrepancies between the information entered into the templates and the audits provided, the Applicant must provide detailed explanations in the assumptions and reasons write-up.**

2. **Income Statement (Schedule P) Guidance:** Please refer to Schedule S-5 for guidance regarding the account numbers that make up each line in the Income Statement template (Schedule P). Line 2 of this Schedule, yearly Network Access Services Revenue, entered into Schedule P for the 4 historical years and the 5-year pro forma years must tie to the numbers entered into the Network Access Revenue Schedule S. Also, amounts entered into Line 27, Non-operating Income and Line 30, Non-regulated Net Income, must tie to the numbers entered into Schedules S-3 and S-4 respectively.
3. **Balance Sheet (Schedule P-1) Guidance:** Please refer to Schedule S-5a for guidance regarding the account numbers that make up each line in the Balance Sheet template (Schedule P-1). Yearly data entered for Lines 18 through 23 into the 5-year pro forma must reflect the Applicant's best estimate of the plant to be deployed in each forecast year. The data entered into these lines must coordinate and tie to the numbers entered into the Deployment & Depreciation Schedule S-2. In addition, all debt numbers entered into this schedule must coordinate and agree with those given in the Debt Schedule (Schedule S-1).
4. **Additional information for Schedules P and P-1 regarding the accounting requirements for RUS Telecommunications Applicants and supplemental accounts in 7 CFR 1770 and RUS Bulletin 1770B-1 can be found at:**

http://www.rurdev.usda.gov/UPA_AccountingRegs.html

And

http://www.rurdev.usda.gov/SupportDocuments/UTP_Bulletins_1770B-1.pdf

5. **Statement of Cash Flows (Schedule P-2) Guidance:** This schedule is derived from the entries the Applicant puts on Schedule P, "Income Statement," and Schedule P-1 "Balance Sheet," or as a result of manual calculations to enter data on lines 5, 22, and 27, as necessary. Please refer to Schedule S-5b for guidance. *Please note that all inputs into lines 5, 22, and 27 require explanation.* Upon completion of this schedule, Line 30, "Ending Cash," should equal the total of lines 1 and 2, End of Period, from Schedule P1, "Balance Sheet."

Supporting Schedules (Schedules S thru S-5b)

The supporting schedules are provided to document the basis for certain lines of data entered into the Historical & Pro forma schedules (Schedules P thru P-2). All assumptions and reasons used in the completion of these forms must be explained.

As mentioned prior, required templates for the above schedules are provided and consist of:

- Network Access Revenue – Schedule S
- Network Access Certification (Cost Settlements) - Schedule S-a
- Network Access Certification (Average Settlements) - Schedule S-b
- Existing & Proposed Long-Term Debt – Schedule S-1
- Deployment & Depreciation – Schedule S-2
- Non-Operating Revenue & Expense – Schedule S-3
- Non-Regulated Revenue & Expense – Schedule S-4
- Account Numbers & Guidance for Schedule P (Income Statement) – Schedule S-5
- Account Numbers & Guidance for Schedule P-1 (Balance Sheet) – Schedule S-5a
- Account Numbers & Guidance for Schedule P-2 (Statement of Cash Flows) – Schedule S-5b

1. **Network Access Revenue – Schedule S Guidance:** Applicants must submit the RUS provided Schedule with a narrative and any supporting documentation to provide detail for all historical and pro forma amounts entered into Schedule P, line 2. If the Applicant is a cost settlement company or proposes to become a cost settlement company for interstate purposes, *this schedule must be completed, and Schedule S-a signed by the Applicant's Cost Consultant.* The information is to be separated by study area, interstate, intrastate, or any other relevant sub-categories. The following accounts are to be used in the completion of this schedule:

- 5080 Network Access Revenue
- 5081 End User Revenue
- 5082 Switched Access Revenue
- 5083 Special Access
- 5084 State Access Revenue

All subaccounts contributing to the accounts shown should be included along with the calculations and formulas used to create *all* numbers (add lines and modify as needed). It is expected that the Applicant will modify the schedule as necessary to provide this information. The narrative support for this schedule needs to be comprehensive and must address the impacts of the FCC's USF and ICC Reform Order and FNPRM released November 18, 2011, as well as any subsequent orders, Federal Register filings, court decisions, or other actions that affect the revenue the Applicant expects to receive. Detailed explanations of how the order and other relevant actions affected the projected revenue are essential. The Cost Consultant must sign this supporting narrative, sign Schedule S-a, and provide contact information so that RUS can direct any questions to the person who prepared the schedule.

If the Applicant is an Average Schedule company for interstate purposes and intends to remain so, it is not required that Schedule S is prepared by a Cost Consultant, although it is still recommended. If the preparer is not a Cost Consultant, Schedule S-b should be signed by the preparer and the narrative should explain why the preparer is qualified to complete the schedule. Contact information and a detailed discussion of the FCC's order and other actions are still required, as discussed above.

2. **Existing & Proposed Long-Term Debt – Schedule S-1 Guidance:** Applicants must submit the provided Schedule S-1 showing year-ending current and proposed long-term debt. With respect to current RUS debt, the Applicant must take into account contemplated future advances, and numbers given must tie into those provided in Schedule P-1 (Balance Sheet) and Schedule S-2 (Deployment & Depreciation). All non-RUS debt must be shown and detailed according to the schedule and must also tie to Schedule P-1 (Balance Sheet) and Schedule S-2 (Deployment &

Depreciation). In addition, the Applicant must submit supporting documentation to provide detail for all current and contemplated non-RUS debt and capital leases. To provide evidence of existing non-RUS debt and leases, copies of existing notes, loan and security agreements, guarantees, and capital leases should be provided.

3. **Deployment & Depreciation Schedule – Schedule S-2 Guidance:** Schedule S-2 consists of a single table. Applicants may add rows or otherwise provide additional information in this Schedule, though the Applicant must fully explain any and all modifications. The data entered must reflect the Applicant’s best estimate of the specific amount to be deployed, retirements, and accumulated depreciation in each forecast year. All numbers must tie in with the amounts entered into Schedule P-1 (Balance Sheet).
4. **Non-Operating Revenue & Expense – Schedule S-3 Guidance:** Schedule S-3 consists of a single table. A detailed breakdown of the number entered into line 27 of Schedule P (Income Statement) is required. Reasons and assumptions for the numbers given are required. Applicants may add rows or otherwise provide additional information in this Schedule, though the Applicant must fully explain any and all modifications.
5. **Non-Regulated Revenue & Expense – Schedule S-4 Guidance:** Schedule S-4 consists of a single table. A detailed breakdown of the number entered into line 30 of Schedule P (Income Statement) is required. Reasons and assumptions for the numbers given are required. Applicants may add rows or otherwise provide additional information in this Schedule, though the Applicant must fully explain any and all modifications.

Note: Please be aware that the foregoing items and information are not exhaustive. Additional information may be required as the review of your loan continues.

STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS (INCOME STATEMENT- Schedule P)

APPLICANT NAME

ITEM	HISTORICAL						FORECAST PERIOD										
	4 Years Prior	3 Years Prior	% Chg	2 Years Prior	% Chg	1 Year Prior	% Chg	Year 1	% Chg	Year 2	% Chg	Year 3	% Chg	Year 4	% Chg	Year 5	% Chg
1. Local Network Services Revenues:	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
2. Network Access Services Revenue	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
3. Long Distance Network Service Revenues	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
4. Carrier Billing & Collection Revenues	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
5. Miscellaneous Revenues	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
6. Uncollectible Revenues	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
7. Net Operating Revenues (1 thru 5 less 6)	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
8. Plant Specific Operations Expense	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
9. Plant Nonspecific Operations Expense (excluding Depreciation & Amortization)	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
10. Depreciation Expense	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
11. Amortization Expense	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
12. Customer Operations Expense	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
13. Corporate Operations Expense	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
14. Total Operating Expenses (8 thru 13)	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
15. Operating Income or Margins (7 less 14)	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
16. Other Operating Income & Expenses	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
17. State & Local Taxes	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
18. Federal Income Taxes	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
19. Other Taxes	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
20. Total Operating Taxes (17+18+19)	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
21. Net Operating Income or Margins (15 + 16 - 20)	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
22. Interest on Funded Debt	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
23. Interest Expense - Capital Leases	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
24. Other Interest Expense	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
25. Allowance For Funds Used During Construction	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
26. Total Fixed Charges (22+23+24-25)	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
27. Nonoperating Net Income	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
28. Extraordinary Items	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
29. Jurisdictional Differences	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
30. Nonregulated Net Income	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
31. Total Net Income or Margins (21+27+28+29+30-26)	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Dividends Declared (common)	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Dividends Declared (preferred)	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Patronage Capital Credits Retired	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Annual Debt Service Payments	\$ -	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
TIER [(31+26) / 26]																	
DSCR [(31+26+10+11) / (Annual Debt Service Payments)]																	

BALANCE SHEET (Schedule P-1)

APPLICANT NAME

ASSETS	HISTORICAL				FORECAST PERIOD				
	4 Years Prior	3 Years Prior	2 Years Prior	1 Year Prior	Year 1	Year 2	Year 3	Year 4	Year 5
CURRENT ASSETS									
1. Cash & Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2. Cash-RUS Construction Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3. Affiliates									
a. Telecom Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Other Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c. Notes Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4. Non-Affiliates									
a. Telecom, Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Other Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
c. Notes Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5. Interest & Dividends Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6. Material-Regulated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7. Material-Nonregulated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8. Prepayments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9. Other Current Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10. Total Current Assets (1 thru 9)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NON-CURRENT ASSETS									
11. Investment in Affiliated Companies									
a. Rural Development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Nonrural Development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12. Other Investments									
a. Rural Development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Nonrural Development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13. Nonregulated Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14. Other Noncurrent Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15. Deferred Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16. Jurisdictional Differences	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17. Total Non-Current Assets (11 thru 16)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PLANT, PROPERTY & EQUIPMENT									
18. Telecom, Plant-in-Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19. Property Held for Future Use	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20. Plant Under Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21. Plant Adj., Nonop Plant & Goodwill	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22. Less Accumulated Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23. Net Plant (18 thru 21 less 22)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
24. TOTAL ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BALANCE SHEET (Schedule P-1)

LIABILITIES AND EQUITY	HISTORICAL				FORECAST PERIOD				
	4 Years Prior	3 Years Prior	2 Years Prior	1 Year Prior	Year 1	Year 2	Year 3	Year 4	Year 5
CURRENT LIABILITIES									
25. Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26. Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27. Advance Billings & Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28. Customer Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29. Current Mat. L/T Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30. Current Mat. L/T Debt-Rur. Dev.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31. Current Mat.-Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32. Income Taxes Accrued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33. Other Taxes Accrued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
34. Other Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
35. Total Current Liabilities (25 thru 34)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LONG-TERM DEBT									
36. Funded Debt-RUS Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37. Funded Debt-RTB Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38. Funded Debt-FFB Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39. Funded Debt-Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40. Funded Debt-Rural Develop. Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41. Premium (Discount) on L/T Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42. Reacquired Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43. Obligations Under Capital Lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44. Advance From Affiliated Companies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45. Other Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
46. Total Long-Term Debt (36 thru 45)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OTHER LIAB. & DEF. CREDITS									
47. Other Long-Term Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
48. Other Deferred Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
49. Other Jurisdictional Differences	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50. Total Other Long-Term Liabilities & Deferred Credits (47 thru 49)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EQUITY									
51. Cap. Stock Outstand & Subscribed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
52. Additional Paid-in-Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53. Treasury Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
54. Memberships & Cap. Certificates	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
55. Other Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
56. Patronage Capital Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
57. Retained Earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
58. Total Equity (51 thru 57)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
59. TOAL LIABILITIES & EQUITY (35 + 46 + 50 + 58)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Total Equity as a % of Assets

--	--	--	--	--	--	--	--	--	--

STATEMENT OF CASH FLOWS (Schedule P-2)

APPLICANT NAME

	HISTORICAL			FORECAST PERIOD				
	Period Ending Year 3	Period Ending Year 2	Period Ending Year 1	Period Ending Year 1	Period Ending Year 2	Period Ending Year 3	Period Ending Year 4	Period Ending Year 5
1. Beginning Cash (Cash & Equivalents plus RUS Const. Fund)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CASH FLOWS FROM OPERATING ACTIVITIES								
2. Net Income (Loss)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities								
3. Add: Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4. Add: Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5. Other (Explain)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in Operating Assets & Liabilities								
6. Decrease/(Increase) in Accounts Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7. Decrease/(Increase) in Materials & Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8. Decrease/(Increase) in Prepayments & Deferred Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9. Decrease/(Increase) in Other Current Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10. Increase/(Decrease) in Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11. Increase/(Decrease) in Advanced Billings & Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12. Increase/(Decrease) in Other Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13. Net Cash Provided/(Used) by Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CASH FLOWS FROM FINANCING ACTIVITIES								
14. Decrease/(Increase) in Notes Receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15. Increase/(Decrease) in Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16. Increase/(Decrease) in Customer Deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19. Increase/(Decrease) in Capital Stock, Paid-in-Capital, Membership and Capital Certificates & Other Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20. Less: Payment of Dividends	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21. Less: Patronage Capital Credits Retired	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
22. Other (Explain)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23. Net Cash Provided/(Used) by Financing Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CASH FLOWS FROM INVESTING ACTIVITIES								
24. Capital Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25. Other Long-Term Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26. Other Noncurrent Assets & Jurisdictional Differences	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27. Other (Explain)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28. Net Cash Provided/(Used) by Investment Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29. Net Increase (Decrease) in Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
30. Ending Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

COST NETWORK ACCESS CERTIFICATION- SCHEDULE S-a

CERTIFICATION COST SETTLEMENTS

By signing this form, I hereby certify that the entries in Schedule S and the accompanying narrative are in accordance with the account and other records of the system and reflect the current and projected status of the system to the best of my knowledge and belief. I also certify that the entries in this schedule, to the best of my knowledge and belief, take into account the impacts of the FCC's USF and ICC Reform Order and FNPRM released November 18, 2011, as well as any subsequent orders, Federal Register filings, court decisions or other actions that affect these revenues .

Signature of Cost Consultant

Date

Cost Consultant to be contacted regarding data provided in Schedule S and narrative.

Name

Telephone Number

AVERAGE NETWORK ACCESS CERTIFICATION- SCHEDULE S-b

**CERTIFICATION
AVERAGE SETTLEMENTS**

By signing this form, I hereby certify that the entries in Schedule S and the accompanying narrative are in accordance with the account and other records of the system and reflect the current and projected status of the system to the best of my knowledge and belief. I also certify that the entries in this schedule, to the best of my knowledge and belief, take into account the impacts of the FCC's USF and ICC Reform Order and FNPRM released November 18, 2011, as well as any subsequent orders, Federal Register filings, court decisions or other actions that affect these revenues .

Signature of Qualified Preparer

Date

Qualified Preparer to be contacted regarding data provided in Schedule S and narrative.

Name

Telephone Number

Schedule of Existing & Proposed Long-Term Debt (Schedule S-1)

APPLICANT NAME

Complete the table below for all existing obligations and the loan for which you are applying

Bal. Sheet Line #	Loan type	HISTORICAL				FORECAST				
		Year End Balance 4 Years Prior	Year End Balance 3 Years Prior	Year End Balance 2 Years Prior	Year End Balance 1 Year Prior	Year End Balance Year 1	Year End Balance Year 2	Year End Balance Year 3	Year End Balance Year 4	Year End Balance Year 5
36.	Funded Debt - RUS Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37.	Funded Debt - RTB Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38.	Funded Debt - FFB Notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39.	Funded Debt - Other (Total)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Loan 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Loan 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Loan 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Loan 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40.	Funded Debt - Rural Develop. Loan (Total)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Loan 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Loan 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Loan 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Loan 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41.	Premium (Discount) on L/T Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42.	Reacquired Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43.	Obligations Under Capital Lease (Total)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Lease 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Lease 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Lease 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Lease 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44.	Advances From Affiliated Companies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Advance 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Advance 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Advance 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45.	Other Long-Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Debt 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Debt 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Debt 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Debt 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NEW	THIS LOAN									
	Total Long-Term Debt (36 thru 45 + New loan)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Deployment & Depreciation (Schedule S-2)

APPLICANT NAME: _____

Complete the table below for Deployment & Depreciation

ITEM	HISTORICAL				FORECAST PERIOD					
	4th Year Prior	3rd Year Prior	2nd Year Prior	1st Year Prior	1st Forecast Year	2nd Forecast Year	3rd Forecast Year	4th Forecast Year	5th Forecast Year	
Plant in Service Beg. Of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant Additions from This Loan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant Additions from Current RUS Loans (Except RUS BIP)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant Additions from Other Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant Additions from RUS BIP Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant Additions from General Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Retirements of Plant (-)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant in Service End of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
EOY Accumulated Depreciation (-)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEPRECIATED PLANT IN SERVICE - EOY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant Under Construction *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plant Adj., Nonop. Plant & Goodwill	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET PLANT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

* Assume no plant under construction in the forecast years. Any plant under construction in the 1st prior year is to be shown as brought into service and reflected in the forecast years.

SCHEDULE S-5: INCOME STATEMENT P - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 1. LOCAL NETWORK SERVICES REVENUES:	Enter sum of the following on Line 1: Class A borrowers - Accounts 5000 & 5010 thru 5069 Class B borrowers - Account 5000		
	¹ For Class A borrowers: Account 5000 represents the sum of Accounts 5001 thru 5004. ² For Class B borrowers Account 5000 is to be used for revenues of the type &		
	Basic local service revenue	¹ 5000	² 5000
	Basic area revenue	5001	
	Optional extended area revenue	5002	
	Cellular mobile revenue	5003	
	Other mobile services revenue	5004	
	Local private line revenue	5040	
	Customer premises revenue	5050	
	Other local exchange revenue	5060	
	Other local exchange revenue settlements	5069	

Line 2. NETWORK ACCESS SERVICES REVENUES:	Enter sum of the following on Line 2: Class A borrowers - Line 5080 Class B borrowers - Line 5080		
	¹ For Class A & Class B borrowers, Account 5080 shall include the sum of Accounts 5081 thru 5084.		
	Network access revenue	¹ 5080	¹ 5080
	End user revenue	5081	5081
	Switched access revenue	5082	5082
	Special access revenue	5083	5083
	State access revenue	5084	5084

Line 3. LONG DISTANCE NETWORK SERVICE REVENUES:	Enter sum of the following on Line 3: Class A borrowers - Lines 5100, 5110 & 5120. Class B borrowers - Line 5100		
	¹ For Class A borrowers: Account 5110 represents the sum of Accounts 5111 & 5112. ² For Class A borrowers: Account 5120 represents the sum of Accounts 5121 thru 5169. ³ For Class B borrowers Account 5100 is to be used for revenues of the type & character required of Class A companies in Accounts 5100, 5110 & 5120.		
	Long distance message revenue	5100	³ 5100
	Unidirectional long distance service revenue	¹ 5110	
	Long distance inward-only revenue	5111	
	Long distance outward-only revenue	5112	
	Long distance private network revenue	² 5120	
	Subvoice grade long distance private network revenue	5121	
	Voice grade long distance private network revenue	5122	
	Audio program grade long distance private network revenue	5123	
	Video program grade long distance private network revenue	5124	
	Digital transmission long distance private network revenue	5125	
	Long distance private network switching revenue	5126	
	Other long distance private network revenue	5128	
	Other long distance private network revenue settlements	5129	
	Other long distance revenue	5160	
	Other long distance revenue settlements	5169	

SCHEDULE S-5: INCOME STATEMENT P - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 4. CARRIER BILLING & COLLECTION REVENUES:	Enter the amount in Account 5270 for both Class A & Class B borrowers on		
	Carrier billing & collection revenue	5270	5270
Line 5. MISCELLANEOUS REVENUES:	Enter sum of the following on Line 5: Class A borrowers - Accounts 5230, 5240, 5250 & 5260 Class B borrowers - Account 5200		
	¹ For Class A borrowers: Account 5260 represents the sum of Accounts 5261 thru 5269. ² For Class B borrowers Account 5200 is to be used for revenues of the type & character required of Class A companies in Accounts 5230, 5240, 5250 & 5260.		
	Miscellaneous revenue		² 5200
	Directory revenue	5230	
	Rent revenue	5240	
	Corporate operations revenue	5250	
	Miscellaneous revenue - (Class A only).	¹ 5260	
	Special billing arrangements	5261	
	Customer operations revenue	5262	
	Plant operations revenue	5263	
	Other incidental regulated service	5264	
	Other revenue settlements	5269	
Line 6. UNCOLLECTIBLE REVENUES:	Enter sum of the following on Line 6: Class A borrowers - Account 5300		
	¹ For Class A borrowers: Account 5300 represents the sum of Accounts 5301 & 5302. ² For Class B borrowers Account 5300 is to be used for revenues of the type & character required of Class A companies in Accounts 5301 thru 5302.		
	Uncollectible revenue	¹ 5300	² 5300
	Uncollectible revenue - telecommunications	5301	
	Uncollectible revenue - other	5302	
Line 7. NET OPERATING REVENUES:	Insert the sum of Lines 1 thru 5, less Line 6		

SCHEDULE S-5: INCOME STATEMENT P - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 8. PLANT SPECIFIC OPERATIONS:	<p>Enter sum of the following on Line 8: Class A borrowers - Accounts 6110, 6120, 6210, 6220, 6230, 6310, 6410, 6431 & 6441 Class B borrowers - Accounts 6110, 6120, 6210, 6220, 6230, 6310, 6410, 6431 & 6441</p> <p>¹ For Class A borrowers: Account 6110 represents the sum of Accounts 6112 thru 6116. ² For Class B borrowers Account 6110 is to be used for revenues of the type & character required of Class A companies in Accounts 6112 thru 6116. ³ For Class A borrowers: Account 6120 represents the sum of Accounts 6121 thru 6124. ⁴ For Class B borrowers Account 6120 is to be used for revenues of the type & character required of Class A companies in Accounts 6121 thru 6124. ⁵ For Class A borrowers: Account 6210 represents the sum of Accounts 6211 thru 6215. ⁶ For Class B borrowers Account 6210 is to be used for revenues of the type & character required of Class A companies in Accounts 6211 thru 6215. ⁷ For Class A borrowers: Account 6230 represents the sum of Accounts 6231 & 6232. ⁸ For Class B borrowers Account 6230 is to be used for revenues of the type & character required of Class A companies in Accounts 6231 thru 6232. ⁹ For Class A borrowers: Account 6310 represents the sum of Accounts 6311 thru 6362. ¹⁰ For Class B borrowers Account 6310 is to be used for revenues of the type & character required of Class A companies in Accounts 6311 thru 6362. ¹¹ For Class A borrowers: Account 6410 represents the sum of Accounts 6411 thru 6426. ¹² For Class B borrowers Account 6410 is to be used for revenues of the type & character required of Class A companies in Accounts 6411 thru 6426.</p>		
	Network support expenses	¹ 6110	² 6110
	Motor vehicle expense	6112	
	Aircraft expense	6113	
	Special purpose vehicles	6114	
	Garage work equipment expense	6115	
	Other work equipment expense	6116	
	General support expenses	³ 6120	⁴ 6120
	Land & building expense	6121	
	Furniture & artworks expense	6122	
	Office equipment expense	6123	
	General purpose computers	6124	
	Central office switching expenses	⁵ 6210	⁶ 6210
	Analog electronic expense	6211	6210.11
	Digital electronic expense	6212	6210.21
	Electro-mechanical expense	6215	6210.31
	Operator systems expense	6220	6220
	Central office transmission expense	⁷ 6230	⁸ 6230
	Radio systems expense	6231	6230.11
	Circuit equipment expense	6232	6230.21
	Information origination/termination expenses	⁹ 6310	¹⁰ 6310
	Station apparatus expense	6311	
	Large private branch exchange expense	6341	
	Public telephone terminal equipment expense	6351	
	Other terminal equipment expense	6362	
	Cable & wire facilities expenses	¹¹ 6410	¹² 6410
	Poles expense	6411	
	Aerial cable expense	6421	
	Underground cable expense	6422	
	Buried cable expense	6423	
	Submarine cable expense	6424	
	Deep sea cable expense	6425	
	Intrabuilding network cable expense	6426	
	Aerial wire expense	6431	6431
	Conduit system expense	6441	6441

SCHEDULE S-5: INCOME STATEMENT P - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 9. PLANT NONSPECIFIC OPERATIONS (Excl. Depr. & Amort.):	<p>Enter sum of the following on Line 9: Class A borrowers - Accounts 6510, 6530 & 6540.</p> <p>¹ For Class A borrowers: Account 6510 represents the sum of Accounts 6511 thru 6512. ² For Class B borrowers Account 6510 is to be used for revenues of the type & character required of Class A companies in Accounts 6511 thru 6512. ³ For Class A borrowers: Account 6530 represents the sum of Accounts 6531 thru 6535. ⁴ For Class B borrowers Account 6530 is to be used for revenues of the type & character required of Class A companies in Accounts 6531 thru 6535.</p>		
	Other property, plant & equipment expense	¹ 6510	² 6510
	Property held for future telecommunications use expense	6511	
	Provisioning expense	6512	
	Network operations expense	³ 6530	⁴ 6530
	Power expense	6531	
	Network administration expense	6532	
	Testing expense	6533	
	Plant operations administration expense	6534	
	Engineering expense	6535	
	Access expense	6540	
	Line 10. DEPRECIATION EXPENSE (Class A) DEPRECIATION & AMORTIZATION (Class B)	<p>Enter sum of the following on Line 10: Class A borrowers - Account 6560</p> <p>¹ For Class A borrowers: Account 6560 represents the sum of Accounts 6561 thru 6562. ² For Class B borrowers Account 6560 represents the sum of 6560.1 & 6560.2.</p>	
Depreciation		¹ 6560	² 6560
Depreciation expense			6560.1
Amortization expense			6560.2
Depreciation expense - telecommunications plant in service		6561	
Depreciation expense - property held for future telecommunications use		6562	
Line 11. AMORTIZATION EXPENSE (Class A Only)	<p>Enter sum of the following on Line 11: Class A borrowers - Accounts 6563, 6564 & 6565</p>		
	Amortization expense - tangible	6563	
	Amortization expense - intangible	6564	
	Amortization expense - other	6565	

SCHEDULE S-5: INCOME STATEMENT P - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 12. CUSTOMER OPERATIONS EXPENSE	<p>Enter sum of the following on Line 12: Class A borrowers - Account 6610 & 6620 Class B borrowers - Account 6610 & 6620</p> <p>¹ For Class A borrowers: Account 6610 represents the sum of Accounts 6611 thru 6613. ² For Class B borrowers Account 6610 is to be used for revenues of the type & character required of Class A companies in Accounts 6611 thru 6613. ³ For Class A borrowers: Account 6620 represents the sum of Accounts 6621 thru 6623. ⁴ For Class B borrowers Account 6620 is to be used for revenues of the type & character required of Class A companies in Accounts 6621 thru 6623.</p>		
	Marketing	¹ 6610	² 6610
	Product management	6611	
	Sales	6612	
	Product advertising	6613	
	Services	³ 6620	⁴ 6620
	Call completion services	6621	
	Number services	6622	
	Customer services	6623	
Line 13. CORPORATE OPERATIONS EXPENSE	<p>Enter sum of the following on Line 13: Class A borrowers - Accounts 6710, 6720 & 6790. Class B borrowers - Accounts 6710, 6720 & 6790.</p> <p>¹ For Class A borrowers: Account 6710 represents the sum of Accounts 6711 & 6712. ² For Class B borrowers Account 6710 is to be used for expenses of the type & character required of Class A companies in Accounts 6711 & 6712. ³ For Class A borrowers: Account 6720 represents the sum of Accounts 6721 thru 6728. ⁴ For Class B borrowers Account 6720 is to be used for expenses of the type & character required of Class A companies in Accounts 6721 thru 6728.</p>		
	Executive & planning	¹ 6710	² 6710
	Executive	6711	
	Planning	6712	
	General & administrative	³ 6720	⁴ 6720
	Accounting & finance	6721	
	External relations	6722	
	Human resources	6723	
	Information management	6724	
	Legal	6725	
	Procurement	6726	
	Research & development	6727	
	Other general & administrative	6728	
	Provision for uncollectible notes receivable	6790	6790
Line 14. NET OPERATING EXPENSES:	Insert the sum of Lines 8 thru 13.		
Line 15. OPERATING INCOME OR MARGINS:	Insert the result of line 7 less 14		

SCHEDULE S-5: INCOME STATEMENT P - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 16. OTHER OPERATING INCOME & EXPENSE (if deficit, show in parentheses)	Enter sum of the following on Line 16: Class A borrowers - Account 7100 Class B borrowers - Account 7100		
	¹ For Class A borrowers: Account 7100 represents the sum of Accounts 7110 thru 7160. ² For Class B borrowers Account 7100 is to be used for revenues of the type & character required of Class A companies in Accounts 7110 thru 7160.		
	Other operating income & expenses	¹ 7100	² 7100
	Income from custom work	7110	
	Return from nonregulated use of regulated facilities	7130	
	Gains & losses from foreign exchange	7140	
	Gains & losses from disposition of land & artwork	7150	
	Other operating gains & losses	7160	
Line 17. STATE & LOCAL TAXES	Enter sum of the following on Line 17: Class A borrowers - Account 7230		
	Operating state & local income taxes	7230	7200.1
Line 18 . FEDERAL INCOME TAXES (federal income taxes for the current period)	Enter sum of the following on Line 18: Class A borrowers - Account 7220		
	Operating federal income taxes	7220	7200.2
Line 19. OTHER TAXES (amounts for other taxes applicable to related operations)	Enter sum of the following on Line 19: Class A borrowers - Account 7200		
	¹ For Class A borrowers: Account 7200 represents the sum of Accounts 7210 thru 7250. ² For Class B borrowers: Account 7200 represents the sum of Accounts 7200.1, 7200.41, 7200.42 & 7200.5.		
	Operating taxes	¹ 7200	² 7200
	Operating investment tax credits - net	7210	7200.1
	Operating other taxes	7240	
	Operating taxes - property	7240.1	7200.41
	Operating taxes - miscellaneous	7240.2	7200.42
	Provision for deferred operating income taxes	7250	7200.5
Line 20. TOTAL OPERATING TAXES	Insert the sum of Lines 17 thru 19.		
Line 21. NET OPERATING INCOME OR MARGINS	Insert the sum of lines 15 & 16, less line 10		

SCHEDULE S-5: INCOME STATEMENT P - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 22. INTEREST ON FUNDED DEBT	<u>Enter sum of the following on Line 22:</u> Class A borrowers - Account 7510		
	¹ For Class B borrowers Account 7500 is to be used for expenses of the type & character required of Class A companies in Accounts 7510, 7520, 7530, & 7540.		
	Interest on funded debt	7510	¹ 7500
	Interest - capital leases		7520
	Amortization of debt issuance expense		7530
	Other interest deductions		7540
Line 23. INTEREST EXPENSE - CAPITAL LEASE (Class A only):	<u>Enter sum of the following on Line 23:</u> Class A borrowers - Account 7520		
	Interest - capital leases	7520	
Line 24. OTHER EXPENSES (Class A only):	<u>Enter sum of the following on Line 24:</u>		
	Amortization of debt issuance expense	7530	
	Other interest deductions	7540	
Line 25. ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION	<u>Enter sum of the following on Line 25:</u> Class A borrowers - Account 7340 Class B borrowers - Account 7300.4		
	Allowance for funds used during construction	7340	7300.4
Line 26. TOTAL FIXED CHARGES	Insert the sum of Lines 22, 23 & 24 less line 25.		
Line 27. NONOPERATING NET INCOME	<u>Enter the result of the following on Line 27:</u> Class A borrowers - Account 7300 minus 7400 Class B borrowers - Account 7300 minus 7400		
	¹ For Class A borrowers: Account 7300 represents the sum of Accounts 7310, 7320, 7330, 7350, 7360 & 7370. ² For Class B borrowers Account 7300 represents the sum of accounts 7300.1, 7300.2, 7300.3, 7300.5, 7300.6 & 7300.7 ³ For Class A borrowers: Account 7400 represents the sum of Accounts 7410 thru 7450. ⁴ For Class B borrowers Account 7400 is to be used for the sum of		
	Nonoperating income & expense	¹ 7300	² 7300
	Dividend income	7310	7300.1
	Interest income	7320	7300.2
	Income from sinking & other funds	7330	7300.3
	Gains or losses from disposition of certain property	7350	7300.5
	Other nonoperating income	7360	7300.6
	Special charges	7370	7300.7
	Nonoperating taxes	³ 7400	⁴ 7400
	Nonoperating investment tax credits - net	7410	7400.1
	Nonoperating federal income taxes	7420	7400.2
	Nonoperating state & local taxes	7430	7400.3
	Nonoperating other taxes	7440	7300.4
	Provision for deferred nonoperating income taxes - net	7450	7400.5

SCHEDULE S-5: INCOME STATEMENT P - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 28. EXTRAORDINARY ITEMS	Enter the sum of the following on Line 28: Class A borrowers - Account 7600 Class B borrowers - Account 7600		
	¹ For Class A borrowers: Account 7600 represents the sum of Accounts 7610 thru 7640. ² For Class B borrowers Account 7600 represents the sum of accounts		
	Extraordinary items	¹ 7600	² 7600
	Extraordinary income credits	7610	7600.1
	Extraordinary income charges	7620	7600.2
	Current income tax effect of extraordinary items - net	7630	7600.3
	Provision for deferred income tax effect of extraordinary items - net	7640	7600.4
Line 29. JURISDICTIONAL DIFFERENCES	Enter the sum of the following on Line 29: Class A borrowers - Account 7910 Class B borrowers - Account 7910		
	Income effect of jurisdictional ratemaking differences - net	7910	7910
Line 30. NONREGULATED NET INCOME: (If a deficit, show in parentheses. Account 7990 should be shown net of nonregulated expenses.)	Enter the sum of the following on Line 30: Class A borrowers - Account s 5280 & 7990 Class B borrowers - Account s 5280 & 7990		
	Nonregulated operating revenue	5280	5280
	Nonregulated net income	7990	7990
Line 31. TOTAL NET INCOME OR MARGINS	Insert the result of Lines (21+27+28+29+30) - 26		
Line 35. DIVIDENDS DECLARED (common):	Insert the amount of dividends declared on common stock from January 1 to the end of the period being reported.		
Line 36. DIVIDENDS DECLARED (preferred):	Insert the amount of dividends declared on preferred stock from January 1 to the end of the period being reported.		
Line 42. PATRONAGE CAPITAL CREDITS RETIRED:	Insert the total amount of capital credits retired from January 1 to the end of the period being reported. Include both general retirements and those made in individual cases, such as estate settlements.		
Line 44. ANNUAL DEBT SERVICE PAYMENTS:	Insert the sum of total annual debt service payments (principal & interest billed) made on long term debt from January 1 to the end of the reporting period.		
Line 47. TIER:	Insert lines (31+26) / 26		
Line 48. DSCR:	Insert lines (31+26+10+11) / 44		

SCHEDULE S-5a: BALANCE SHEET P-1 - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 1. CASH & EQUIVALENTS:	Enter sum of the following on Line 1: Class A borrowers - Accounts 1130 thru 1160		
	¹ For Class B borrowers Account 1120 represents the sum of Accounts 1120.11		
	Cash & equivalents		¹ 1120
	Cash	1130	
	Cash - general fund	1130.1	1120.11
	Cash - transfer of funds	1130.3	1120.13
	Special cash deposits	1140	1120.21
	Working cash advances	1150	
	Petty cash fund	1150.1	1120.31
	Change fund	1150.2	1120.32
	Temporary investments	1160	
Line 2. CASH - RUS CONSTRUCTION FUND-TRUSTEE ACCOUNT:	Enter sum of the following on Line 2: Class A borrowers - Account 1130.2 Class B borrowers - Account 1120.2		
	Cash - construction fund trustee	1130.2	1120.12
Lines 3 & 4. AFFILITES & NON-AFFILIATES:	The same three items of data are requested in lines 3 & 4 for affiliated and non-affiliated companies, respectively. Specific accounts for the		
Lines 3 & 4, item a. TELECOM ACCOUNTS RECEIVABLE:	Enter the result of the following on Lines 3 & 4, item a.: Class A borrowers - Account s 1180 minus 1181 Class B borrowers - Account s 1180 minus 1181		
	Telecommunications accounts receivable	1180	1180
	Accounts receivable allowance - telecommunications	1181	1181
Lines 3 & 4, item b. OTHER ACCOUNTS RECEIVABLE:	Enter the result of the following on Lines 3 & 4, item b.: Class A borrowers - Account s 1190 minus 1191		
	Other accounts receivable	1190	1190
	Accounts receivable allowance - other	1191	1191
Lines 3 & 4, item c. NOTES RECEIVABLE:	Enter the result of the following on Lines 3 & 4, item c.: Class A borrowers - Account s 1200 minus 1201		
	Notes receivable	1200	1200
	Notes receivable allowance	1201	1201
Line 5. INTEREST & DIVIDENDS RECEIVABLE:	Enter the sum of the following on Line 5: Class A borrowers - Account 1210 Class B borrowers - Account 1210		
	Interest & dividends receivable	1210	1210
Line 6. MATERIAL - REGULATED	Enter the sum of the following on Line 6: Class A borrowers - Account s 1220.1 & 1220.3 Class B borrowers - Account s 1220.1 & 1220.3		
	Material & supplies	1220.1	1220.1
	Exempt materials - clearing	1220.3	1220.3

SCHEDULE S-5a: BALANCE SHEET P-1 - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 7. MATERIAL - NONREGULATED	<u>Enter sum of the following on Line 7:</u> Class A borrowers - Account 1220.2 Class B borrowers - Account 1220.2		
	Property held for sale or lease	1220.2	1220.2
Line 8. PREPAYMENTS	<u>Enter sum of the following on Line 8:</u> Class A borrowers - Accounts 1290 thru 1330 Class B borrowers - Accounts 1280.1 thru 1280.5		
	Prepaid rents	1290	1280.1
	Prepaid taxes	1300	1280.2
	Prepaid insurance	1310	1280.3
	Prepaid directory expense	1320	1280.4
	Other prepayments	1330	1280.5
Line 9. OTHER CURRENT ASSETS	<u>Enter sum of the following on Line 9:</u> Class A borrowers - Accounts 1350.1 thru 1350.4		
	Subscriptions to capital stock	1350.1	1350.1
	Subscriptions to memberships	1350.2	1350.2
	Subscriptions to members' equity certificates	1350.3	1350.3
	Other current assets	1350.4	1350.4
Line 10. TOTAL CURRENT ASSETS	Insert the sum of lines 1 thru 9		
Line 11a. INVESTMENT IN AFFILIATED COMPANIES - RURAL DEVELOPMENT: (Insert the sum of investments in equity or other securities issued or assumed by affiliates for Rural Development purposes only. Also include any advances to affiliates (for rural development) not subject to current settlement.)	<u>Enter sum of the following on Line 11a-:</u> Class A borrowers - Account 1401		
	Investments in affiliated companies	1401	1401
Line 11b. INVESTMENT IN AFFILIATED COMPANIES RURAL DEVELOPMENT: (Insert the sum of investments in equity or other securities issued or assumed by affiliates. Also include any advances to affiliates not subject to current settlement. DO NOT include Rural Development investments in affiliated companies.)	<u>Enter sum of the following on Line 11b:</u> Class A borrowers - Account 1401		
	Investments in affiliated companies	1401	1401
Line 12a OTHER INVESTMENTS - RURAL DEVELOPMENT	Insert the sum of the balances of Rural Development investments in accounts for Other Investments, Sinking and Other Fund Accounts.		
Line 12b OTHER INVESTMENTS - NON RURAL DEVELOPMENT: (Do not include Other Investments for Rural development. Rural Development investments are to be included on line 12a above.)	<u>Enter sum of the following on Line 12b:</u> Class A borrowers - Account 1402.3 thru 1408		
	Other investments in nonaffiliated companies	1402.3	1402.3
	Unamortized debt issuance expense	1407	1407
	Sinking funds	1408	1408

SCHEDULE S-5a: BALANCE SHEET P-1 - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 13. NON-REGULATED INVESTMENTS:	<u>Enter sum of the following on Line 13:</u> Class A borrowers - Account 1406. Class B borrowers - Account 1406.		
	¹ For Class A & B borrowers: Account 1406 represents the sum of Accounts 1406.1 thru 1406.3.		
	Nonregulated investments	¹ 1406	¹ 1406
	Permanent investment	1406.1	1406.1
	Receivable/payable	1406.2	1406.2
	Current net income or loss	1406.3	1406.3
Line 14. OTHER NONCURRENT ASSETS:	<u>Enter sum of the following on Line 14:</u> Class A borrowers - Account 1410 Class B borrowers - Account 1410		
	Other noncurrent assets	1410	1410
Line 15. DEFERRED CHARGES:	<u>Enter sum of the following on Line 15:</u> Class A borrowers - Accounts 1438 & 1439		
	Deferred maintenance & retirements	1438	1438
	Deferred charges	1439	1439
Line 16. JURISDICTIONAL DIFFERENCES	<u>Enter sum of the following on Line 16:</u> Class A borrowers - Account 1500		
	Other jurisdictional assets - net	1500	1500
Line 17. TOTAL NONCURRENT ASSETS	Insert the sum of lines 11 thru 16.		
Line 18. TELECOMMUNICATIONS PLANT IN SERVICE: (Insert the sum of the balances shown on the books representing the cost of telecommunications plant, such as land, buildings, central office equipment, outside plant, station equipment, furniture and office equipment, and vehicles and other work equipment used to provide service.)	<u>Enter sum of the following on Line 18:</u> Class A borrowers - Accounts 2001.1 & 2001.2		
	Telecommunications plant in service - classified	2001.1	2001.1
	Telecommunications plant in service - unclassified	2001.2	2001.2
Line 19. PROPERTY HELD FOR FUTURE USE:	<u>Enter sum of the following on Line 19:</u> Class A borrowers - Account 2002		
	Property held for future telecommunications use	2002	2002
Line 20. PLANT UNDER CONSTRUCTION:	<u>Enter sum of the following on Line 20:</u> Class A borrowers - Accounts 2003.1 thru 2003.3 Class B borrowers - Accounts 2003.1 thru 2003.3		
	Telecommunications plant under construction - contract	2003.1	2003.1
	Telecommunications plant under construction - force account	2003.2	2003.2
	Telecommunications plant under construction - work orders	2003.3	2003.3

SCHEDULE S-5a: BALANCE SHEET P-1 - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 21. PLANT ADJUSTMENTS, NONOPERATING PLANT, & GOODWILL:	Enter sum of the following on Line 21: Class A borrowers - Accounts 2005 thru 2007 Class A borrowers - Accounts 2005 thru 2007		
	Telecommunications plant adjustment	2005	2005
	Nonoperating plant	2006	2006
	Goodwill	2007	2007
Line 22. LESS ACCUMULATED DEPRECIATION:	Enter sum of the following on Line 22: Class A borrowers - Accounts 3100 thru 3600		
	Accumulated depreciation	3100	3100
	Retirement work in progress	3100X	3100X
	Accumulated depreciation - held for future telecommunications use	3200	3200
	Accumulated depreciation nonoperating	3300	3300
	Accumulated amortization - tangible	3400	
	Accumulated amortization -capitalized leases	3410	
	Accumulated amortization -leasehold improvements	3420	
	Accumulated amortization - intangible	3500	3500
	Accumulated amortization - other	3600	3600
Line 23. TOTAL NONCURRENT ASSETS:	Insert the sum of lines 18 thru 21 minus line 22.		
Line 24. TOTAL ASSETS:	Insert the sum of lines 10, 17 & 23.		
Line 25. ACCOUNTS PAYABLE:	Enter the result of the following on Line 25: Class A borrowers - Accounts 4010.11 thru 4010.25 Class B borrowers - Accounts 4010.11 thru 4010.25		
	Accounts payable to affiliated companies	4010.11	4010.11
	Accounts payable to nonaffiliated companies	4010.21	4010.21
	Accounts payable - employees' income tax withheld	4010.22	4010.22
	Accounts payable - FICA taxes withheld	4010.23	4010.23
	Accounts payable -federal excise taxes	4010.24	4010.24
	Accounts payable -payroll	4010.25	4010.25
Line 26. NOTES PAYABLE:	Enter the sum of the following on Line 26: Class A borrowers - Account 4020 Class B borrowers - Account 4020		
		4020	4020
Line 27. ADVANCE BILLING & PAYMENTS:	Enter the sum of the following on Line 27: Class A borrowers - Account 4030 Class B borrowers - Account 4030		
	Advance billing & payments	4030	4030
Line 28. CUSTOMER DEPOSITS:	Enter the sum of the following on Line 28: Class A borrowers - Account 4040 Class B borrowers - Account 4040		
		4040	4040
Line 29. CURRENT MATURITIES - LONG-TERM DEBT: (Insert the sum of current maturities due RUS, FFB, RTB & others.)	Enter the sum of the following on Line 29: Class A borrowers - Account 4050 Class B borrowers - Account 4050		
		4050	4050
Line 30. CURRENT MATURITIES - LONG-TERM DEBT - RURAL DEVELOPMENT LOAN:	Insert the sum of current maturities due on Rural Development loans		

SCHEDULE S-5a: BALANCE SHEET P-1 - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 31. CURRENT MATURITIES - CAPITAL LEASES:	Enter the sum of the following on Line 31: Class A borrowers - Account 4060 Class B borrowers - Account 4060		
	Current maturities - capital leases	4060	4060
Line 32. INCOME TAXES ACCRUED:	Enter sum of the following on Line 32: Class A borrowers - Account s 4070.1 & 4070.2		
	Income taxes accrued - federal	4070.1	4070.1
	Income taxes accrued - state & local	4070.2	4070.2
Line 33. OTHER TAXES ACCRUED:	Enter the result of the following on Line 33: Class A borrowers - Accounts 4080.1 thru 4080.5 Class B borrowers - Accounts 4080.1 thru 4080.5		
	Other taxes accrued - property	4080.1	4080.1
	Other taxes accrued - employer's portion - FICA	4080.2	4080.2
	Other taxes accrued - federal unemployment	4080.3	4080.3
	Other taxes accrued - state unemployment	4080.4	4080.4
	Other taxes accrued - miscellaneous	4080.5	4080.5
Line 34. OTHER CURRENT LIABILITIES:	Enter the result of the following on Line 34: Class A borrowers - Accounts 4100 thru 4130.2 Class B borrowers - Accounts 4100 thru 4130.2		
	Net current deferred operating income taxes	4100	4100
	Net current deferred nonoperating income taxes	4110	4110
	Other accrued liabilities	4120	4120
	Unmatured interest accrued - RUS notes	4120.1	4120.1
	Unmatured interest accrued -Telephone Bank notes	4120.2	4120.2
	Unmatured interest accrued -Federal Financing Bank notes	4120.3	4120.3
	Unmatured interest accrued -Bank for Cooperative notes	4120.4	4120.4
	Unmatured interest accrued -Rural Telephone Finance Cooperative notes	4120.5	4120.5
	Other accrued liabilities	4120.6	4120.6
	Other current liabilities	4130	4130
	Patronage capital payable	4130.1	4130.1
	Other current liabilities - miscellaneous	4130.2	4130.2
Line 35. TOTAL NONCURRENT LIABILITIES:	Insert the sum of lines 25 thru 34.		
Line 36. FUNDED DEBT - RUS NOTES:	Enter the result of the following on Line 36: Class A borrowers - Accounts 4210.12 thru 4210.20		
	RUS notes	4210.12	4210.12
	RUS notes - deferred interest	4210.17	4210.17
	RUS notes - advance payments, dr.	4210.18	4210.18
	RUS notes - unadvanced, dr.	4210.20	4210.20
Line 37. FUNDED DEBT - RTB NOTES:	Enter the result of the following on Line 37: Class A borrowers - Accounts 4210.13 & 4210.21 Class B borrowers - Accounts 4210.13 & 4210.21		
	Telephone Bank notes	4210.13	4210.13
	Telephone Bank notes - unadvanced, dr.	4210.21	4210.21
Line 38. FUNDED DEBT - FFB NOTES:	Enter the result of the following on Line 38: Class A borrowers - Accounts 4210.14 & 4210.22 Class B borrowers - Accounts 4210.14 & 4210.22		
	Federal Financing Bank notes	4210.14	4210.14
	Federal Financing Bank notes - unadvanced, dr.	4210.22	4210.22

SCHEDULE S-5a: BALANCE SHEET P-1 - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 39. FUNDED DEBT - OTHER: (Do not include Rural Development Loans. Rural Development Loans are to be included on line 40 below.)	Enter the result of the following on Line 39: Class A borrowers - Accounts 4210.11 thru 4210.24 Class B borrowers - Accounts 4210.11 thru 4210.24		
	Funded debt	4210.11	4210.11
	Bank for Cooperative notes	4210.15	4210.15
	Rural Telephone Finance Cooperative notes	4210.16	4210.16
	Funded debt - other - unadvanced, dr.	4210.19	4210.19
	Bank for Cooperative notes - unadvanced, dr.	4210.23	4210.23
	Rural Telephone Finance Cooperative notes - unadvanced, dr.	4210.24	4210.24
Line 40. FUNDED DEBT - RURAL DEVELOPMENT LOAN:	Insert the sum of the balances of Rural Development Loans.		
Line 41. PREMIUM (DISCOUNT) ON LONG - TERM DEBT:	Enter the result of the following on Line 41: Class A borrowers - Accounts 4220 & 4230		
	Premium on long-term debt	4220	4220
	Discount on long-term debt	4230	4230
Line 42. REACQUIRED DEBT:	Enter the result of the following on Line 42: Class A borrowers - Account 4240		
	Reacquired debt	4240	4240
Line 43. OBLIGATIONS UNDER CAPITAL LEASE:	Enter the result of the following on Line 43: Class A borrowers - Account 4250		
	Obligations under capital leases	4250	4250
Line 44. ADVANCES FROM AFFILIATED COMPANIES:	Enter the result of the following on Line 44: Class A borrowers - Account 4260		
	Advances from affiliated companies	4260	4260
Line 45. OTHER LONG-TERM DEBT:	Enter the result of the following on Line 45: Class A borrowers - Accounts 4270.1 thru 4270.3		
	Member's redeemable equity certificates subscribed but unissued	4270.1	4270.1
	Member's redeemable equity certificates issued	4270.2	4270.2
	Other long-term debt	4270.3	4270.3
Line 46. TOTAL LONG-TERM DEBT:	Insert the sum of lines 36 thru 45.		
Line 47. OTHER LONG-TERM LIABILITIES:	Enter the result of the following on Line 47: Class A borrowers - Accounts 4310 thru 4350 Class B borrowers - Accounts 4310 thru 4350		
	Other long-term liabilities	4310	4310
	Unamortized operating investment tax credits - net	4320	4320
	Unamortized nonoperating investment tax credits - net	4330	4330
	Net noncurrent deferred operating income taxes	4340	4340
	Net noncurrent deferred nonoperating income taxes	4350	4350
Line 48. OTHER DEFERRED CREDITS:	Enter the result of the following on Line 48: Class A borrowers - Account 4360 Class B borrowers - Account 4360		
	Other deferred credits	4360	4360

SCHEDULE S-5a: BALANCE SHEET P-1 - GUIDANCE & ACCOUNTS

Line Number	Instructions & Account Title	USOA/RUS Accounts Class A Companies	USOA/RUS Accounts Class B Companies
Line 49. OTHER JURISDICTIONAL DIFFERENCES:	Enter the result of the following on Line 49: Class A borrowers - Account 4370 Class B borrowers - Account 4370		
	Other jurisdictional liabilities & deferred credits - net	4370	4370
Line 50. TOTAL OTHER LIABILITIES & DEFERRED CHARGES:	Insert the sum of lines 47, 48 & 49.		
Line 51. CAPITAL STOCK OUTSTANDING & SUBSCRIBED:	Enter the result of the following on Line 51: Class A borrowers - Accounts 4510 thru 4540.31		
	Capital stock	4510	4510
	Capital stock subscribed	4540.11	4540.11
	Installments paid on capital stock	4540.31	4540.31
Line 52. ADDITIONAL PAID-IN-CAPITAL:	Enter the result of the following on Line 52: Class A borrowers - Account 4520		
	Additional paid-in-capital	4520	4520
Line 53. TREASURY STOCK:	Enter the result of the following on Line 53: Class A borrowers - Account 4530		
		4530	4530
Line 54. MEMBERSHIPS & CAPITAL CERTIFICATES:	Enter the result of the following on Line 54: Class A borrowers - Account 4540.12 thru 4540.33		
	Memberships subscribed but unissued	4540.12	4540.12
	Members' equity certificates subscribed but unissued	4540.13	4540.13
	Memberships unissued	4540.21	4540.21
	Members' equity certificates issued	4540.22	4540.22
	Members' equity - other	4540.23	4540.23
	Installments paid on memberships subscribed	4540.32	4540.32
	Installments paid on equity certificates subscribed	4540.33	4540.33
Line 55. OTHER CAPITAL:	Enter the result of the following on Line 55: Class A borrowers - Account 4540.41		
	Other capital - miscellaneous	4540.41	4540.41
Line 56. PATRONAGE CAPITAL CREDITS:	Enter the result of the following on Line 56: Class A borrowers - Accounts 4550.4 thru 4550.6		
	Patronage capital assignable	4550.4	4550.4
	Patrons' capital credits assigned	4550.5	4550.5
	Gain on the retirement of capital credits	4550.6	4550.6
Line 57. RETAINED EARNINGS OR MARGINS: (Insert the undistributed balance of retained earnings or margins derived from operations of the company & from all other transactions not includable in other equity accounts.)	Enter the result of the following on Line 57: Class A borrowers - Accounts 4550.4 thru 4550.6		
	Operating margins	4550.1	4550.1
	Nonoperating margins	4550.2	4550.2
	Other margins	4550.3	4550.3
Line 58. TOTAL EQUITY:	Insert the sum of lines 51 thru 57.		
Line 59. LIABILITIES & EQUITY:	Insert the sum of lines 35, 46, 50 & 58.		

SCHEDULE S-5b: STATEMENT OF CASH FLOW P-2 - GUIDANCE & ACCOUNTS

Line	Line Description	Schedule P & P1 References
1	Beginning Cash (Cash & Equivalents plus RUS Construction Fund)	PRIOR YEAR Schedule P-1 Lines 1 + 2
CASH FLOWS FROM OPERATING ACTIVITIES:		
2	Net Income	THIS YEAR Schedule P Line 31
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:</i>		
3	Add: Depreciation	THIS YEAR Schedule P Line 10
4	Add: Amortization	THIS YEAR Schedule P Line 11
5	Other ¹ (Explain)	Applicant manual input
<i>Changes in Operating Assets and Liabilities:</i>		
6	Decrease/(Increase) in Accounts Receivable	(PRIOR YEAR Schedule P-1 Lines 3a + 3b + 4a + 4b) - (END OF PERIOD Schedule P-1 Lines 3a + 3b + 4a + 4b)
7	Decrease/(Increase) in Materials and Inventory	(PRIOR YEAR Schedule P-1 Lines 6 + 7) - (END OF PERIOD Schedule P-1 Lines 6 + 7)
8	Decrease/(Increase) in Prepayments and Deferred Charges	(PRIOR YEAR Schedule P-1 Lines 8 + 15) - (END OF PERIOD Schedule P-1 Lines 8 + 15)
9	Decrease/(Increase) in Other Current Assets	(PRIOR YEAR Schedule P-1 Line 9 - END OF PERIOD Schedule P-1 Line 9)
10	Increase/(Decrease) in Accounts Payable	- (PRIOR YEAR Schedule P-1 Line 25 - END OF PERIOD Schedule P-1 Line 25)
11	Increase/(Decrease) in Advance Billings & Payments	- (PRIOR YEAR Schedule P-1 Line 27 - END OF PERIOD Schedule P-1 Line 27)
12	Increase/(Decrease) in Other Current Liabilities	- (PRIOR YEAR Schedule P-1 Line 34 - END OF PERIOD Schedule P-1 Line 34)
13	Net Cash Provided/(Used) by Operations	Sum of Lines 2 thru 12, above
CASH FLOWS FROM FINANCING ACTIVITIES:		
14	Decrease/(Increase) in Notes Receivable	(PRIOR YEAR Schedule P-1 Lines 3c + 4c) - (END OF PERIOD Schedule P-1 Lines 3c + 4c)
15	Increase/(Decrease) in Notes Payable	- (PRIOR YEAR Schedule P-1 Line 26 - END OF PERIOD Schedule P-1 Line 26)
16	Increase/(Decrease) in Customer Deposits	- (PRIOR YEAR Schedule P-1 Line 28 - END OF PERIOD Schedule P-1 Line 28)
17	Net Increase/(Decrease) in Long-Term Debt (including current maturities)	- [(PRIOR YEAR Schedule P-1 Lines 29 + 30 + 31 + 46) - (END OF PERIOD Schedule P-1
18	Increase/(Decrease) in Other Liabilities & Deferred Credits	- (PRIOR YEAR Schedule P-1 Line 50 - END OF PERIOD Schedule P-1 Line 50)
19	Increase/(Decrease) in Capital Stock, Paid-in-Capital, Membership and Capital Certificates and Other Capital	- [(PRIOR YEAR Schedule P-1 Lines 51 + 52 + 53 + 54 + 55) - (END OF PERIOD Schedule P-1 Lines 51 + 52 + 53 + 54 + 55)]
20	Less: Payment of Dividends	- (THIS YEAR Schedule P Lines 35 + 36)
21	Less: Patronage Capital Credits Retired	- (THIS YEAR Schedule P Line 42)
22	Other ¹ (Explain)	Applicant manual input
23	Net Cash Provided/(USED) by Investing Activities	Sum of Lines 14 thru 22, above
24	Net Capital Expenditures (Property, Plant & Equipment)	(PRIOR YEAR Schedule P-1 Lines 18 + 19 + 20) - (END OF PERIOD Schedule P-1 Lines 18 + 19 + 20)
25	Other Long-Term Investments	(PRIOR YEAR Schedule P-1 Lines 11a + 11b + 12a + 12b + 13) - (END OF PERIOD Schedule P-1 Lines 11a + 11b + 12a + 12b + 13)
26	Other Noncurrent Assets & Jurisdictional Differences	(PRIOR YEAR Schedule P-1 Lines 14 + 16) - (END OF PERIOD Schedule P-1 Lines 14 + 16)
27	Other ¹ (Explain)	Applicant manual input
28	Net Cash Provided/(Used) by Investing Activities	Sum of lines 24 thru 27, above
29	Net Increase/(Decrease) in Cash	Sum of lines 13, 23 & 28, above
30	Ending Cash ²	Sum of lines 1 & 29 above

¹ All inputs into lines 5, 22, and 27 require explanation.

² Upon completion of this schedule, Line 30, "Ending Cash," should equal the total of lines 1 and 2, End of Period, from Schedule P1, "Balance Sheet."

Appendix C: Sample Opinion of Counsel

[Attorney Letterhead]

Date

Administrator
Rural Utilities Service
United States Department of Agriculture
Stop 1500
Washington, D.C. 20250-1500

Subject: (Company Name)

Ladies and Gentlemen:

We are counsel to _____ (the “Company”) in connection with the Company’s application (Application) for a loan or loan guarantee from the Rural Utilities Service (RUS) to provide telephone service. We have examined or caused to be examined by competent and trustworthy persons such corporate records and files and such other records, indexes, and files as we have deemed necessary to permit us to render the opinions expressed herein.

We are of the opinion that:

1. The Company is a (corporation, cooperative, limited liability company, etc.) duly formed, validly existing and in good standing under the laws of the State of _____.
2. The Company operates in the State(s) of _____ and is duly licensed and qualified and in good standing as a foreign _____, authorized to do business and own property in such State(s).
3. The Company has full legal right, power and authority to own its property and carry on its business as now conducted.
4. The execution, delivery and performance by the Company of the Application and the consummation of the transactions contemplated thereby are within the powers of the Company.
5. The Application has been duly executed by the Company.
6. The Company owns the real property described on Schedule A attached hereto (in both a paper format and an electronic copy on appropriate media) and such property is in the counties of _____ in the State(s) of _____.
7. The Company has the power to grant a security interest in the property described in paragraph 6 to the RUS as collateral for the loan described in the Application.

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8. Schedule A contains complete and accurate descriptions of all the real property owned or leased by the Company, excluding easements and rights-of-way, which are sufficient, in form and substance, for inclusion in the granting clause of a mortgage creating a lien on such property.
9. The Company owns telecommunications facilities, including central office facilities, lines, and other outside plant, in the counties of _____
_____ in the State(s) of _____.
10. For purposes of Article 9 of the Uniform Commercial Code in the State of _____, the Company is a “transmitting utility” (or is not a “transmitting utility.”)
11. The execution, delivery and performance by the Company of the loan documents will not require the consent, permission or authorization of any governmental authority.

or

11. The execution, delivery and performance by the Company of the loan documents will require the consent, permission or authorization of _____.

We have also verified the following information:

1. The Company’s organizational number is _____.
2. The exact true and correct legal name of the Company, as stated in its organization documents, is _____.
3. The Company’s corporate debt limit is _____.
4. The Company’s taxpayer identification number is _____.
5. The Company’s D-U-N-S number is _____.
6. The pending claims or litigation against the Company are described in the attached Schedule B.

or

6. There are no pending claims or litigation against the Company.

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7. The Company has no subsidiaries.

or

7. The Company's subsidiaries are listed on the attached Schedule C.

8. The titles of the officials of the Company with the proper authority to execute all loan documents on behalf of the Company, and attest to the execution where required, are

_____.

Very Truly Yours,