

There we are.

Thank you for taking us along.

We understand you have many choices when it comes to TV, Internet, cellular and phone service, and we don't take your decision lightly. We are honored that you continue to choose Duo County Telecom for your communication and entertainment needs.

We are committed to consistent enhancements, bringing you the most advanced technology possible. But it doesn't stop there. We are also committed to being part of the communities we serve — working with government leaders, sponsoring local education and athletic programs and participating in community events. And we bring all of this to you on our local-access channel, our website and through social media.

In essence, we're everywhere you are — connecting you to your community, your friends and your family. We're covering the local sporting events. We're helping you make an Internet sale at your business using our Lightspeed fiber technology. We're offering you the latest entertainment options during family movie night through Video On Demand.

For the last 35 years, it has been an adventure leading our company through so much positive change. As I retire, I'm pleased to be able to leave an organization in excellent condition to our new CEO, Tom Preston. I'm confident that Tom will lead our organization forward providing the best service possible.

DUO COUNTY TELEPHONE BOARD OF DIRECTORS

James E. Monin, MD
Jamestown | Board President

David Davenport
Russell Springs | Board Vice President

Sharon Hill
Jamestown | Board Secretary

Joseph Sparks
Adair County | Board Member

Jerry D. Roy
Russell Springs | Board Member

Bill Norris
Cumberland County | Board Member

Douglas Butler
Cumberland County | Board Member

Howard Kent Cooper
Legal Counsel

Bill Magruder
Chief Executive Officer

annual financial statement

Duo County Telephone Cooperative
Consolidated **BALANCE SHEET**
For Year Ended December 31, 2010

ASSETS

Current Assets:	
Cash & Temporary Cash Investments	\$9,061,014
Accounts Receivable, Less Allowance for Doubtful Accounts	1,363,029
Materials and Supplies	1,667,007
Accrued Interest Receivable	112,848
Prepaid Expenses	180,911
Total Current Assets	\$12,384,809

Other Assets:

Cash Investments	21,446,939
Nonregulated Investments	300,496
Investment in Affiliated Companies:	39,640,502
Wireless - \$36,726,165	
Network - \$2,914,337	
Deferred Charges	2,634,183
Total Other Assets	\$64,022,120

Telephone Plant:

Telephone Plant in Service	76,182,643
Telephone Plant Under Construction	6,334,313
Non-Operating Plant	52,008
Total Telephone Plant	\$82,568,964
Less Accumulated Depreciation	45,848,744
Telephone Plant, Net	36,720,220

TOTAL ASSETS

\$113,127,149

LIABILITIES & MEMBERS' EQUITIES

Current Liabilities:

Current Portion of Long-Term Debt	3,235,000
Accounts Payable	856,213
Customer Deposits	17,999
Total Current Liabilities	\$6,366,580

Accrued Expenses	2,257,368
Deferred Income Taxes-Noncurrent	\$9,310,136
Long-Term Debt	\$6,100,321
Total Long-Term Liabilities	\$15,410,457

Other Liabilities and Deferred Credits	\$125,715
Total Long-Term Liabilities	\$15,410,457

Members' Equities:

Patronage Capital	45,333,330
Other Equities	44,871,053
Other Member Capital	1,020,014
Total Members' Equities	\$91,224,397

TOTAL LIABILITIES & MEMBERS' EQUITIES

\$113,127,149

Duo County Telephone Cooperative
Consolidated **STATEMENT OF INCOME**
For Year Ended December 31, 2010

Operating Revenues:

Local Network Services	7,997,919
Network Access Services	9,146,506
Carrier Billing and Collection	130,150
Miscellaneous Operating Revenue	1,658,986
Uncollectible Revenue	(96,804)
Total Operating Revenues	\$18,836,757

Operating Expenses:

Plant Specific Operations	5,862,791
Plant Nonspecific Operations	1,317,078
Depreciation and Amortization	5,532,119
Customer Operations	1,519,119
Corporate Operations	2,292,726
Total Operating Expenses	\$16,523,833

Operating Taxes:

Other Operating Taxes	1,804,743
Total Operating Taxes	1,804,743

Nonregulated Net Income

1,159,964

TOTAL OPERATING INCOME

\$1,668,145

Non-Operating Net Income, Net of Federal & State

Federal, State and Local Income Taxes	9,045,917
Income Taxes of \$3,984,794 in 2010	
Total Non-Operating Net Income	9,045,917

Income Before Interest Charges

10,714,062

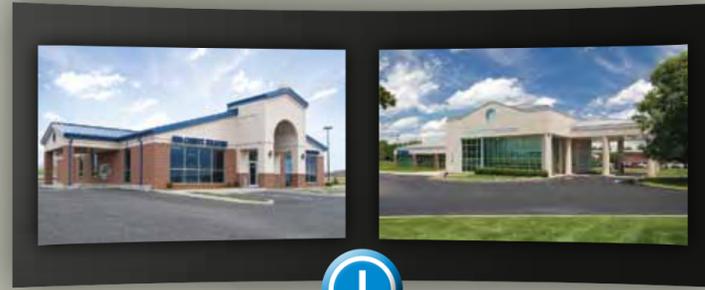
Interest on Long-Term Debt to RUS

(635,889)

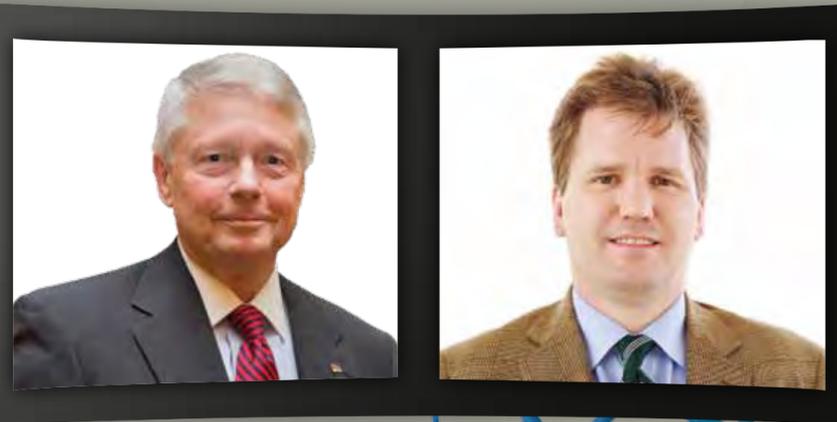
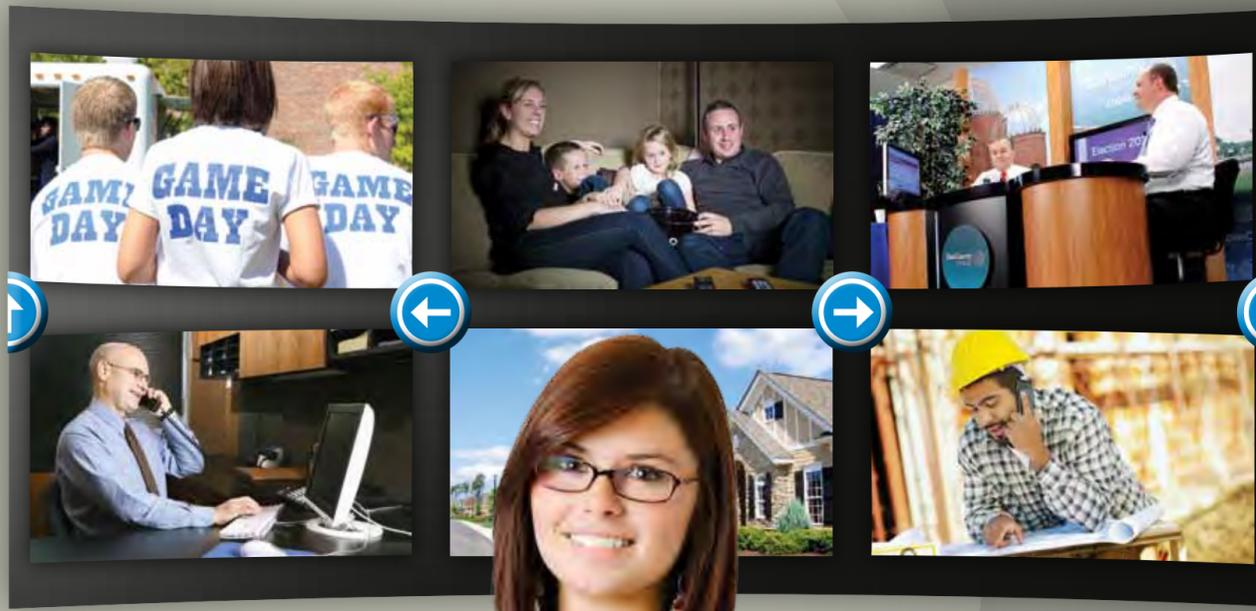
NET INCOME

\$10,078,173

We are pleased to report that Duo County Telephone **RETURNED ALMOST \$800,000** in dividends to cooperative members in 2011 and has returned more than \$16 million since 1984.



COMMUNITY REPORT 2011



LEFT: BILL MAGRUDER, OUTGOING CEO
RIGHT: TOM PRESTON, INCOMING CEO

VISIT OUR CUSTOMER CARE CENTERS IN COLUMBIA AND JAMESTOWN, OR CONTACT US:
E-mail: duotel@duo-county.com | www.duocounty.com | Adair: 378-4141 | Cumberland: 433-2121 | Russell: 343-3131

Everywhere YOU GO...

→ in the community

Local news and sports, live and on demand

As Lindsey Wilson fans filled the stands in 2010 to see the college's first football game, we were there, catching this great moment in history on camera for our customers.

We deliver Lindsey Wilson sports on DUO2, our local-access channel. Our partnership with the Columbia college is just one of many designed to bring what's happening in our communities to the people living in them. Viewers

can enjoy Adair and Russell County high school sports, government meetings and various community events, all on DUO2. And if you can't catch this programming live? Most local shows are available with Video On Demand.

Keeping you connected with your community is an important part of our mission. So, look for us when you're out and about. Chances are, we'll be around.



→ on the go

Smart technology that keeps you connected

You need it all with your wireless phone — GPS, photo and video capability, e-mail and social networking. Every year, Duo County and Bluegrass Cellular stay ahead of the technology curve so you can have these amenities wherever you go.

Our inventory of Android-powered smart phones and tablets continues to grow. We recently added touchscreen devices like the

HTC Desire, Motorola Milestone and Xoom, and the Samsung Galaxy, which are designed to keep you connected and safe through features like "voice-to-text."

Our partnership with Bluegrass Cellular pairs you with this powerful technology on the most reliable 3G and 4G* networks in south central Kentucky, while allowing you to do business locally. Now that's smart.



→ at home and at work

Enjoy life at exhilarating speed

Whether you're participating in an online video conference or choosing a high-definition Video On Demand movie, our newest technology can take you there faster than ever before.

Lightspeed is a fiber optic cable network that transmits digital TV, Internet and phone at higher speed and with more reliability. This system, which has virtually unlimited

bandwidth, has plenty of capacity for future expansion.

You no longer need a modem if you are a Lightspeed customer, and all of your Duo County services are enhanced. Making your communications experience more enjoyable wherever you are is part of our commitment to you. Sign up for Lightspeed, and take off.



Where are we?

Everywhere you are.



→ here to help you

So many places to find assistance

Whether it's through Facebook or Twitter, on our website, in person or by phone, we have customer service covered. Our online DuoCall

Manager service helps you manage and control features, messages and calls. Our video tutorials on the web will help answer your technology

questions. And as always, our customer care centers and DuoCare experts are available to help at any time.



* 4G network only available in certain areas. Full network expansion in progress.

