FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2002-05-14** | Period of Report: **2002-03-31**
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FILER

NEW ULM TELECOM INC

CIK:**71557**| IRS No.: **410440990** | State of Incorp.:**MN** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-03024** | Film No.: **02644643**
SIC: **4813** Telephone communications (no radiotelephone)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2002

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ________ to ________.

Commission File Number 0-3024

New Ulm Telecom, Inc.
(Exact name of registrant as specified in its charter)

Minnesota	41-0440990
(State or jurisdiction of incorporation)	(IRS Employer Identification Number)

400 2nd Street North, New Ulm, MN 56073-0697
(Address of Principal executive offices)

(507) 354-4111
(Registrant's telephone number)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ____X____ No ________

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of Common stock, as of the latest practicable date: 5,115,585.

NEW ULM TELECOM, INC. AND SUBSIDIARIES

CONTENTS

NEW ULM TELECOM, INC. AND SUBSIDIARIES

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED BALANCE SHEETS

ASSETS

<TABLE>
<CAPTION>

<S>	MARCH 31, 2002 <C>	DECEMBER 31, 2001 <C>
CURRENT ASSETS:		
Cash	$ 963,399	$ 4,245,683
Receivables, Net of Allowance for Doubtful Accounts of $27,155 and $24,500	1,547,900	1,878,444
Inventories	932,806	966,565
Prepaid Expenses	79,746	112,210
Total Current Assets	3,523,851	7,202,902
INVESTMENTS & OTHER ASSETS:		
Excess of Cost Over Net Assets Acquired	3,248,495	3,248,495
Notes Receivable from Officer	687,402	687,402
Notes Receivable	253,024	252,854
Cellular Investments	9,702,396	6,310,830
Other Investments	1,260,455	1,154,736
Total Investments and Other Assets	15,151,772	11,654,317
PROPERTY, PLANT & EQUIPMENT:		
Telecommunications Plant	44,493,732	43,032,672
Other Property & Equipment	2,455,126	2,396,063
Cable Television Plant	1,585,050	1,539,443
Total	48,533,908	46,968,178
Less Accumulated Depreciation	23,797,964	22,973,617
Net Property, Plant & Equipment	24,735,944	23,994,561
TOTAL ASSETS	$ 43,411,567	$ 42,851,780

</TABLE>

The accompanying notes are an integral part of the financial statements.

NEW ULM TELECOM, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS (CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	MARCH 31, 2002	DECEMBER 31, 2001
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	$ 1,500,000	$ 1,866,666
Accounts Payable	752,366	593,571
Accrued Income Taxes	686,342	--
Other Accrued Taxes	63,822	66,235
Other Accrued Liabilities	531,927	484,458
Total Current Liabilities	3,534,457	3,010,930
LONG-TERM DEBT, LESS CURRENT PORTION	14,545,000	15,700,000
DEFERRED CREDITS:		
Income Taxes	2,285,843	2,285,843
Investment Tax Credits	9,365	10,251
Total Deferred Credits	2,295,208	2,296,094
STOCKHOLDERS' EQUITY:		
Common Stock - $1.67 Par Value, 19,200,000 Shares Authorized, 5,115,585 Shares Issued and Outstanding	8,525,975	8,525,975
Retained Earnings	14,510,927	13,318,781
Total Stockholders' Equity	23,036,902	21,844,756
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 43,411,567	$ 42,851,780

</TABLE>

The accompanying notes are an integral part of the financial statements.

NEW ULM TELECOM, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	FOR THREE MONTHS ENDED MARCH 31, 2002	2001
OPERATING REVENUES:		
Local Network	$ 857,221	$ 759,386
Network Access	1,738,828	1,508,938
Billing and Collection	71,125	102,904
Miscellaneous	108,126	113,282
Nonregulated	890,852	740,655
Total Operating Revenues	3,666,152	3,225,165
OPERATING EXPENSES:		
Plant Operations	440,013	453,624
Depreciation	836,336	681,399
Amortization	12	28,456
Customer	231,146	243,341
General and Administrative	475,883	420,411
Other Operating Expenses	595,582	503,153

Total Operating Expenses	2,578,972	2,330,384
OPERATING INCOME	1,087,180	894,781
OTHER (EXPENSES) INCOME:		
Interest Expense	(149,634)	(173,752)
Interest Income	25,447	14,606
Cellular Investment Income	753,319	346,909
Gain from Cellular Dissolution	1,153,889	--
Other Investment Income (Expense)	121,138	43,088
Total Other Income, Net	1,904,159	230,851
INCOME BEFORE INCOME TAXES	2,991,339	1,125,632
INCOME TAXES	1,211,645	471,265
NET INCOME BEFORE EXTRAORDINARY ITEM	1,779,694	654,367
EXTRAORDINARY LOSS ON EARLY DEBT RETIREMENT NET OF TAX BENEFIT OF $109,781	(161,419)	--
NET INCOME	$ 1,618,275	$ 654,367
BASIC AND DILUTED NET INCOME PER SHARE - NOTE 2	$ 0.32	$ 0.13

</TABLE>

The accompanying notes are an integral part of the financial statements.

NEW ULM TELECOM, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2001 AND
THREE MONTHS ENDED MARCH 31, 2002

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Amount	Retained Earnings
<S>	<C>	<C>	<C>
BALANCE on December 31, 2000	1,731,955	$ 8,659,775	$ 13,106,729
Retired Stock	(26,760)	(133,800)	(846,777)
Net Income			2,768,238
Dividends			(1,709,409)
Three-for-One Stock Split	3,410,390		
BALANCE on December 31, 2001	5,115,585	$ 8,525,975	$ 13,318,781
Net Income			1,618,275
Dividends			(426,129)
BALANCE on March 31, 2002	5,115,585	$ 8,525,975	$ 14,510,927

</TABLE>

The accompanying notes are an integral part of the financial statements.

NEW ULM TELECOM, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	FOR THREE MONTHS ENDED 2002	2001
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 1,618,275	$ 654,367
Adjustments to Reconcile Net Income to Net Net Cash Provided by Operating Activities:		
Depreciation and Amortization	836,348	709,855
Cellular Investment Income	(753,319)	(346,909)
Distributions from Cellular Investments	125,982	86,812
Gain from Cellular Dissolution	(1,153,889)	--
(Increase) Decrease in:		
Receivables	329,140	348,765
Inventories	33,759	307,593
Prepaid Expenses	32,464	37,929
Increase (Decrease) in:		
Accounts Payable	158,795	(423,512)
Accrued Income Taxes	686,342	133,551
Other Accrued Taxes	(2,413)	(20,532)
Other Accrued Liabilities	47,469	(71,160)
Deferred Investment Tax Credits	(886)	(886)
Net Cash Provided by Operating Activities	1,958,067	1,415,873
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to Property, Plant & Equipment, Net	(1,577,730)	(1,329,410)
Change in Notes Receivable	1,234	24,296
Purchase of Cellular Investments	(1,610,341)	--
Other, Net	(105,719)	(42,145)
Net Cash Used in Investing Activities	(3,292,556)	(1,347,259)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments of Long-Term Debt	(2,941,666)	(91,667)
Issuance of Long-Term Debt	1,420,000	900,000
Retired Stock	--	(476,277)
Dividends Paid	(426,129)	(430,255)
Net Cash Used in Financing Activities	(1,947,795)	(98,199)
NET INCREASE (DECREASE) IN CASH	(3,282,284)	(29,585)
CASH AT BEGINNING OF PERIOD	4,245,683	700,744
CASH AT END OF PERIOD	$ 963,399	$ 671,159

</TABLE>

The accompanying notes are an integral part of the financial statements.

NEW ULM TELECOM, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instruction to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information necessary for a fair presentation of results of operations, financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments (consisting of only normal recurring items) necessary to present fairly the financial position as of March 31, 2002 and December 31, 2001 and the results of operations and changes in cash flows for the three months ended March 31, 2002 and 2001. Operating results for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole. The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from these estimates. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2001 Annual Report to Shareholders and New Ulm Telecom, Inc.'s Annual Report on Form 10-K.

NOTE 2 - BASIC AND DILUTED NET INCOME PER COMMON SHARE

Basic and diluted net income per common share is based on the weighted average number of shares of common stock outstanding of 5,115,585 for the period ended March 31, 2002, 5,176,380 for the period ended March 31, 2001. All per share data has been restated to reflect the three-for-one stock split effective January 10, 2002.

NOTE 3 - STATEMENTS OF CASH FLOW

Supplemental Disclosures of Cash Flow Information:
Cash paid during the period for:

	2002	2001
Interest	$401,285	$174,652
Income taxes	$72,200	$338,600

NOTE 4 - SECURED REDUCING REVOLVING CREDIT FACILITY

In fiscal 2001, the Company entered into a $15 million secured ten-year reducing revolving credit facility maturing in 2011. The borrowings under the credit facility bear interest, at the Company's option, at either fixed or variable rates linked to the Company's overall leverage ratio. At March 31, 2002, there was $14,625,000 of direct borrowings outstanding under this facility at an interest rate of 3.21%. In addition, the Company has also secured a $10 million secured ten-year reducing revolving credit facility maturing in 2011. The borrowings under the credit facility bear interest, at the Company's option, at either fixed or variable rates linked to the Company's overall leverage ratio. At March 31, 2002, there was $1,420,000 of direct borrowings outstanding under this facility at an interest rate of 3.21%.

NOTE 5 - MATERIALS, SUPPLIES AND INVENTORIES

Materials, supplies and inventories are recorded at the lower of average cost or market.

NOTE 6 - GOODWILL AND INTANGIBLE ASSETS

Effective January 1, 2002 the Company adopted SFAS No. 142, "Goodwill and Other

Intangible Assets". Under the provisions of this accounting standard, goodwill and intangible assets with indefinite useful lives are no longer amortized but are instead tested for impairment on at least an annual basis.

At December 31, 2001 the Company had goodwill of $5,042,587, which was net of accumulated amortization of $1,489,771. The Company determined that these assets have indefinite useful lives and ceased amortization effective January 1, 2002. The Company has not completed the impairment tests for these assets, but does not presently believe that they have been materially impaired.

The Company owns 9.92% of Midwest Wireless Holdings, LLC (MWH) at March 31, 2002 (7.58% at December 31, 2001). The Company accounts for its investment in MWH using the equity method, and earnings from the investment are material to the Company's net income. At December 31, 2001 MWH had investments in cellular, LMDS and PCS licenses totaling $187,212,000, net of amortization of $9,922,000. MWH has determined that these licenses have indefinite useful lives and ceased amortization on January 1, 2002.

The following table provides, on a pro forma basis, financial information for the periods ended March 31 as if the provisions of SFAS 142 had been effective January 1, 2001.

	Three Months Ended March 31	
	2002	2001
Operating Revenues	$ 3,666,152	$ 3,225,165
Operating Expenses	(2,578,972)	(2,330,384)
Add back Amortization Expense		40,634
Operating Income	1,087,180	935,415
Other Income, net	1,904,159	230,851
Add back pro rata share of Midwest Wireless Holdings LLC amortization		131,128
Income Before Income Taxes	2,991,339	1,297,394
Income Tax Expense	(1,211,645)	(471,265)
Tax Effect of Change in Amortization		(52,450)
Net Income Before Extraordinary Item	1,779,694	773,679
Extraordinary Loss, Net of Tax Benefit	(161,419)	
Adjusted Net Income	$ 1,618,275	$ 773,679
Adjusted Basic and Diluted Net Income Per Share	$ 0.32	$ 0.15

NOTE 7 - SEGMENT INFORMATION

The Company is organized into five business segments: New Ulm Telecom, Inc. and its wholly owned subsidiaries; Western Telephone Company, Peoples Telephone Company, New Ulm Phonery, Inc., and a cellular investment recorded on the equity method. No single customer accounted for a material portion of the Company's revenues in any of the last three years. The Cellular investment is the Company's investment in Midwest Wireless Holdings LLC and is shown using the proportionate consolidation method.

Segment Information is as follows:

<TABLE>
<CAPTION>

	New Ulm Telecom	Western Telephone	Peoples Telephone	New Ulm Phonery	Cellular Investment
<S>	<C>	<C>	<C>	<C>	<C>
THREE MONTHS ENDED MARCH 31, 2002					
Operating Revenues	$ 2,218,347	$ 588,382	$ 249,460	$ 501,786	$ 3,415,821
Operating Expenses	1,782,710	253,666	140,880	295,718	2,569,781
Operating income	435,637	334,716	108,580	206,068	846,039
Interest expense	(141,546)	(5,571)	(2,517)		(263,948)
Cellular Investment Income			177,698		
Gain on Cellular Dissolution			1,153,889		
Other Investment Income	102,645	566	43,076	298	171,228
Income before income taxes	$ 396,736	$ 329,711	$ 1,480,726	$ 206,366	$ 753,319
Depreciation and amortization	$ 667,534	$ 94,490	$ 38,181	$ 36,131	$ 490,023
Total Assets	$ 49,648,639	$ 9,627,010	$ 4,912,000	$ 3,757,135	$ 31,101,074
Capital Expenditures	$ 1,511,727	$ 4,141	$ 4,163	$ 57,699	$ 684,275

<CAPTION>

	Segment Totals	Others	Eliminations	Consolidated
<S>	<C>	<C>	<C>	<C>
THREE MONTHS ENDED MARCH 31, 2002				
Operating Revenues	$ 6,973,796	$ 108,177	$ (3,415,821)	$ 3,666,152
Operating Expenses	5,042,755	105,998	(2,569,781)	2,578,972
Operating income	1,931,040	2,179	(846,039)	1,087,180
Interest expense	(413,582)		263,948	(149,634)
Cellular Investment Income	177,698		575,621	753,319
Gain on Cellular Dissolution	1,153,889			1,153,889
Other Investment Income	317,813		(171,228)	146,585
Income before income taxes	$ 3,166,858	$ 2,179	$ (177,698)	$ 2,991,339
Depreciation and amortization	$ 1,326,359	$ --	$ (490,011)	$ 836,348
Total Assets	$ 99,045,858	$ 6,326,124	$(61,960,415)	$ 43,411,567
Capital Expenditures	$ 2,262,005	$ --	$ (684,275)	$ 1,577,730

</TABLE>

<TABLE>
<CAPTION>

	New Ulm Telecom	Western Telephone	Peoples Telephone	New Ulm Phonery	Cellular Investment
<S>	<C>	<C>	<C>	<C>	<C>
THREE MONTHS ENDED MARCH 31, 2001					
Operating Revenues	$ 1,772,389	$ 568,880	$ 264,799	$ 457,262	$ 2,291,360
Operating Expenses	1,549,708	257,313	136,494	297,070	1,779,923
Operating income	222,681	311,567	128,305	160,192	511,437
Interest expense	(160,094)	(9,399)	(4,259)		(165,082)
Cellular Investment Income					

Other Investment Income	39,290	1,508	16,321	575	554
Income before income taxes	$ 101,877	$ 303,676	$ 140,367	$ 160,767	$ 346,909
Depreciation and amortization	$ 538,197	$ 93,559	$ 30,802	$ 47,297	$ 322,919
Total Assets	$ 42,939,691	$ 9,439,376	$ 3,789,787	$ 3,242,348	$ 20,402,721
Capital Expenditures	$ 1,240,761	$ 30,601	$ 17,555	$ 40,493	$ 417,035

<CAPTION>

	Segment Totals	Others	Eliminations	Consolidated
<S>	<C>	<C>	<C>	<C>
THREE MONTHS ENDED MARCH 31, 2001				
Operating Revenues	$ 5,354,690	$ 161,835	$ (2,291,360)	$ 3,225,165
Operating Expenses	4,020,508	89,799	(1,779,923)	2,330,384
Operating income	1,334,182	72,036	(511,437)	894,781
Interest expense	(338,834)		165,082	(173,752)
Cellular Investment Income			346,909	346,909
Other Investment Income	58,248		(554)	57,694
Income before income taxes	$ 1,053,596	$ 72,036	$ --	$ 1,125,632
Depreciation and amortization	$ 1,032,774	$ --	$ (322,919)	$ 709,855
Total Assets	$ 79,813,923	$ 5,544,093	$(50,226,100)	$ 35,131,916
Capital Expenditures	$ 1,746,445	$ --	$ (417,035)	$ 1,329,410

</TABLE>

NEW ULM TELECOM, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2002 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2001

BUSINESS SEGMENTS

The Company operates five business segments: the majority of its operations consists of four segments that provide telephone and related ancillary services, and cable television services to numerous communities in Minnesota and Iowa. A fifth segment has a 9.92% interest in Midwest Wireless Holdings L.L.C. (MWH) and records this investment on the equity method of accounting. The equity method is used due to the influence the Company has over the operations and management of the L.L.C.

CONSOLIDATED OPERATING RESULTS

* Total operating revenues were $3,666,152 for the three months ended March 31, 2002, for an increase of 13.7% or $440,987. The New Ulm Telecom sector provided an increase in operating revenues of $445,958 with its new and expanded service offerings: digital video and digital subscriber line (DSL). New Ulm Telecom segment has invested heavily in its infrastructure, which allows it to enhance its local network and offer these new services to its subscribers. All other segments had

relatively no change.

* Operating expenses for the three months ended March 31, 2002 increased $248,588 or 10.7% compared to the same period in 2001. The New Ulm Telecom sector provided $233,002 of the increase, with $146,303 of the increase attributed to depreciation expense and $59,680 of the increase associated with additional expenses (programming fees, transport cost, employee cost, advertising) incurred with the introduction of video services offered in the City of New Ulm, Minnesota. The remaining $27,019 of the increase is reflective of additional general and administrative expenses associated with the Company's desire to compete in all aspects of communications services.

* Other income for the three months ended March 31, 2002 increased $1,673,308 over the same period in 2001. The dissolution of two Cellular Corporations in Iowa allowed the Company to recognize a gain on dissolution of $1,153,880. This dissolution allowed Peoples Telephone Company to purchase additional units in MWH and recognize a 2.34% interest. 2002 revenue and income growth of MWH realized a gain of $228,712 over the same period in 2001. Due to the increased ownership in MWH through the dissolution of the Cellular Corporations in Iowa and the purchase of additional shares, the Peoples Telephone Company realized additional investment income of $177,698. The remaining $113,018 increase over 2001 is accounted for by reduced interest rates on debt in comparison to the prior year and increases in other investment income for Fibercom, L.L.C. and CoBank.

* Net income was $1,618,275 at March 31, 2002 compared with $654,367 for the same period in 2001. This $963,908 or 147.3% increase is primarily attributed to our gains from dissolution.

* The $161,419 after-tax extraordinary loss is related to the early extinguishment of debt. On March 1, 2002 the Company repaid the $2,566,666 of senior unsecured debt with Phoenix Life Mutual Insurance Company. This loss is reflective of the prepayment penalty on the debt.

In the Segment operations discussions which follow, specific discussion of year-to-year comparisons are given. (See Note 7 - Segment Information, pg. 11) An overall review of the year-to-year comparisons of Company operations is provided in the following table:

Summary of Operations

	2002	2001
Quarter Ended March 31:		
Operating Income:		
New Ulm Telecom	$ 435,637	$ 222,681
Western Telephone	334,716	311,567
Peoples Telephone	108,580	128,305
New Ulm Phonery	206,068	160,192
Other	2,179	72,036
Total	1,087,180	894,781
Other Income	2,053,793	404,603
Interest Expense	(149,634)	(173,752)
Income Taxes	(1,211,645)	(471,265)
Net Income Before Extraordinary Loss	1,779,694	654,367
Extraordinary Loss	(161,419)	--
Net Income	$ 1,618,275	$ 654,367

Basic and Diluted

Earnings Per Share	.32	.13
Weighted Average Shares Outstanding	5,115,585	5,176,380

All per share data has been restated to reflect the three-for-one stock split effective January 10, 2002.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

NEW ULM TELECOM OPERATIONS

New Ulm Telecom revenues represent 60.5% of the March 31, 2002 consolidated operating revenues. Revenues are primarily earned by providing approximately 13,300 customers access to New Ulm Telecom's local network, and by providing interexchange access for long distance network carriers. The New Ulm Telecom segment also earns revenue through billing and collecting for various long distance companies, directory advertising and providing video services (a new venture undertaken in 2001) to its subscribers. Total New Ulm Telecom segment revenues for the period ending March 31, 2002 have grown $445,958 or 25.2% over the same period last year.

Local network revenue increased in the New Ulm Telecom segment by $81,286 or 12.8% for the three months ended March 31, 2002 compared to the same period in 2001. The increase is significant considering the number of access lines decreased by 1.7%. Targeted marketing and promotions and packaging of vertical services, most notably, the introduction of DSL, to supplement basic line charges, achieved this revenue increase. DSL, which is used to provide high-speed access to the Internet, was responsible for approximately $51,900 of the increase. A local service rate increase beginning in February 2001 provided approximately $18,000 additional local service revenues for the period ending March 31, 2002 over the same period ending in 2001.

Network access revenue increased $231,735 or 24.3% for the three months ended March 31, 2002 compared with the same period in 2001. This increase in network access revenue is significant considering that the company experienced a 1.0% decrease in access minutes for the period ending March 31, 2002, a common industry trend. The New Ulm Telecom segment has invested over $15 million in capital expenditures during the past two years. These capital expenditures have enhanced this segment's infrastructure and have allowed New Ulm Telecom to receive additional settlements from the National Exchange Carrier Association (NECA). New Ulm Telecom is now eligible for high-cost loop funding.

Other operating revenues increased $132,937 or 72.4% for the three months ended March 31, 2002 compared with the same period in 2001. Due to the infrastructure enhancements that have taken place since 2000, the New Ulm Telecom segment has been able to begin offering video services over the existing infrastructure. The video product was responsible for the increase in these revenues.

Operating income increased $212,956 or 95.6% for the three months ended March 31, 2002 compared with the same period in 2001. The increase in operating income was primarily due to the increase in other revenues associated with our new service offerings of video and DSL, and the additional settlements from NECA, along with high-cost loop funding.

Cash operating expenses increased $103,665 or 10.3% for the three-month period ended March 31, 2002 compared with the same period ended in 2001. Cash operating expenses have increased due to the number of services offered. The New Ulm Telecom segment recognized the need to compete in all aspects of communication services. This realization has motivated the segment to enhance its awareness of customer satisfaction, additional services (video and DSL), aggressive marketing (brand recognition) and solutions for our customers' communications needs. The Company is striving for cost efficiencies and technological improvement to maintain its operating margins for the New Ulm Telecom segment.

Noncash operating expenses increased $129,337 or 24.0% for the three months ended March 31, 2002 compared with the same period in 2001. Depreciation expense is the main cause of this increase. The $146,303 increase in depreciation expense is reflective of the new investments of over $15 million in the segment's infrastructure. Also, a $7,061 increase in amortization of leasehold improvements reflects the Company's continued growth and expansion, and the need for additional office and retail space. These increases are offset by a $24,027 decrease in the amortization of goodwill expense (See note 6 - pg. 9) due to new accounting standard SFAS No. 142, "GOODWILL AND OTHER INTANGIBLE ASSETS", effective January 1, 2002.

The $114,483 after-tax extraordinary loss results from the early extinguishment of debt with Phoenix Life Mutual Insurance Company. On March 1, 2002, the New Ulm Telecom segment repaid its senior unsecured debt with Phoenix Life Mutual Insurance Company. The loss is the result of prepayment penalties on the debt.

The EBITDA(1) for this segment was $1,103,171 for the period ended March 31, 2002 compared with $760,878 for the same period in 2001. This $342,293 or 45.0% increase was realized primarily through increased revenues.

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WESTERN TELEPHONE COMPANY OPERATIONS

Western Telephone Company revenues represent 16.1% of the March 31, 2002 consolidated operating revenues. Revenues are primarily earned by providing approximately 2,600 customers access to Western Telephone Company's local network, and in providing interexchange access for long distance carriers. The Western Telephone Company segment also earns revenue through billing and collecting for various long distance companies, directory advertising, cable television service, and Internet access to it subscribers.

Local network revenues increased in the Western Telephone Company segment by $12,826 or 14.3% for the three months ended March 31, 2002 compared to the same period in 2001. This revenue increase was accomplished with the promotion and packaging of vertical services, most notably, the introduction of DSL, to supplement basic line charges. DSL, which is used to provide high-speed access to the Internet, was responsible for approximately $12,000 of the 2002 increase.

Network access revenue increased $14,260 or 3.8% for the period ended March 31, 2002 compared to the same period ended in 2001. Access minutes decreased 11.7%. The negative effects of network access pricing, a common industry trend, will erode the increases in volume of switched minutes of use, minimizing future increases in network access revenue. The continued utilization of the Internet (e-mail, voice-over-IP) will continue to decrease the volume of switched minutes of use.

Cash operating expenses decreased $4,578 or 2.8% for the three months ended March 31, 2002 compared to the three months ended March 31, 2001. Cash operating expenses have decreased due to the Company's success with striving for cost efficiencies and controlling expenses.

Noncash operating expenses have increased $931 or 1.0% for the period ended March 31, 2002 compared to the same period ended in 2001. Depreciation is the main cause of this increase. The slight increase is reflective of the steady amount of capital investments.

The $32,290 after-tax extraordinary loss results from the early extinguishment of debt with Phoenix Life Mutual Insurance Company. On March 1, 2002, the Western Telephone Company segment repaid its senior unsecured debt with Phoenix Life Mutual Insurance Company. The loss is the result of prepayment penalties on the debt.

The EBITDA(1) for this segment was $429,206 for the period ended March 31, 2002 compared with $405,126 for the same period in 2001. This $24,080 or 5.9% increase was realized primarily through increased revenues.

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PEOPLES TELEPHONE COMPANY OPERATIONS

Peoples Telephone Company revenues represent 6.8% of the March 31, 2002 consolidated operating revenues. Revenues are primarily earned by providing approximately 930 customers access to Peoples Telephone Company's local network,

and in providing interexchange access for long distance carriers. The Peoples Telephone Company segment also earns revenue through billing and collecting for various long distance companies, directory advertising, cable television service, and Internet access to it subscribers.

Local network revenue increased in the Peoples Telephone Company segment by $3,723 or 10.9% for the period ended March 31, 2002 compared to the same period in 2001. The revenue increases were accomplished with promotion and packaging of vertical services, most notably, the introduction of digital subscriber line (DSL), to supplement basic line charges. DSL, which is used to provide high-speed access to the Internet, was responsible for approximately $3,000 of the 2002 increase.

Network access revenue decreased $16,105 or 9.0% and access minutes decreased 13.0% for the three months ended March 31, 2002 compared to the same period ended in 2001. The negative effects of network access pricing, a common industry trend, will erode the increases in volume of switched minutes of use, minimizing future increases in network access revenue. The continued utilization of the Internet (e-mail, voice-over-IP) will continue to decease the volume of switched minutes of use. The construction of a fiber route in 1998 and 1999 allowed the Peoples Telephone Company segment to gain access to a larger fiber optic network. This network increased access revenue due to an increase in transport facilities, which minimized the network access revenue decrease caused by the decrease in access minutes of use.

Cash operating expenses decreased $3,005 or 2.8% for the period ended March 31, 2002 compared to the same period ended 2001. Cash operating expenses have decreased due to the Company's success with striving for cost efficiencies and controlling expenses.

Noncash operating expenses increased $7,390 or 24.0% for the three months ended March 31, 2002 compared to the three months ended March 31, 2001. Depreciation expense is the main cause for this increase. The increase in depreciation is reflective of the capital investments in this segment.

Other income increased by $1,360,084 for the period ended March 31, 2002 compared to the same period ended 2001. The main sources of the increase are the gain recognized from the dissolution of Three Lakes Cellular, Inc. and Cherokee Cellular, Inc., which is accountable for $1,153,889 of the increase, and income from the MWH investment due to increased ownership through the dissolution and the purchase of additional shares accounted for $177,698 of the increase. The Peoples Telephone Company segment has a 2.34% interest in MWH and records this investment on the equity method of accounting. The equity method is used due to the influence the Company has over the operations and management of this L.L.C..

The $14,646 after-tax extraordinary loss results from the early extinguishment of debt with Phoenix Life Mutual Insurance Company. On March 1, 2002, the Peoples Telephone Company segment repaid its senior unsecured debt with Phoenix Life Mutual Insurance Company. The loss is the result of prepayment penalties on the debt.

The EBITDA(1) for this segment was $146,773 for the period ended March 31, 2002 compared with $159,109 for the same period in 2001. This $12,333 or 7.8% decrease was primarily due to decreased access network revenues.

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NEW ULM PHONERY OPERATIONS

New Ulm Phonery represents 13.7% of the March 31, 2002 consolidated operating revenues. Revenues are earned primarily by sales, installation and service of business telephone systems and data communications equipment and access to Internet services in the service areas served by New Ulm Telecom, Inc. (New Ulm, Springfield and Sanborn, Minnesota and Aurelia, Iowa). In addition, the Company leases network capacity to provide additional network access revenues. This segment's expertise is the quality installation and maintenance of wide area networking, local networking and transport solutions in communication to end user customers.

Operating revenue increased $44,524 or 9.7% for the period ended March 31, 2002 compared to the same period ended 2001. This increase was primarily due to increased Internet revenues.

Cash operating expenses increased $9,814 or 3.9% for the three months ended March 31, 2002 compared to the three months ended March 31, 2001. The increase can be attributed to the need to compete in all aspects of the communication services. This realization has motivated the segment to enhance its awareness of customer satisfaction, aggressive marketing (brand recognition) and solutions for our customers' communications needs. Increased emphasis of Internet access by our customers has led to increased customer service hours (24x7 access to support), maintenance of facilities, marketing and advertising, and the additional need for larger (more bandwidth) access points. The Company is striving for cost efficiencies and technological improvements to maintain its operating margins in the New Ulm Phonery segment.

Noncash operating expenses decreased $11,166 or 23.6%. The decrease is attributable to a drop in depreciation expense, as some of the Company's capital investment has become fully depreciated due to the Company's aggressive depreciation schedule that has made it possible for us to continually offer products and services that allow our customers the ability to stay on the cutting edge of technology.

The EBITDA(1) for this segment was $242,199 for the period ended March 31, 2002 compared with $207,489 for the same period in 2001. This $34,710 or 16.7% increase was primarily due to increased Internet revenues.

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under generally accepted accounting principles, is provided because the Company understands that such information is used by certain investors when analyzing the financial position and performance of the Company. Because of the variety of methods used by companies and analysts to calculate EBITDA, and the fact that EBITDA calculations may not accurately measure a company's ability to meet debt service requirements, caution should be used in relying on any EBITDA presentation. The Company sees value in disclosing its calculation of EBITDA for the financial community and in displaying the change in EBITDA. The Company believes an increasing EBITDA depicts increased ability to attract financing and increased valuation of the Company's business.

CELLULAR INVESTMENT

The Company has a 9.92% ownership in MWH. The segment information is shown using the proportionate consolidation method. Segment amounts represent 9.92% of MWH March 31, 2002 financial statement totals. March 31, 2001 segment amounts represent 7.58% of MWH totals. Cellular investment income increased $406,410 or 117.2% for the period ended March 31, 2002 compared to the same period ended in 2001. This increase is the result of revenues and income that continues to grow as MWH gains market share and an additional 2.34% MWH interest acquired by Peoples Telephone Company through the dissolution of two Cellular Corporations and the purchase of additional shares in 2002 (See Peoples Telephone Company Segment). Also, the adoption of SFAS No. 142 by MWH resulted in a decrease in amortization expense of $131,128 for the cellular investment for March 31, 2002.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL STRUCTURE

The total long-term capital structure (long-term debt plus shareholders' equity) for New Ulm Telecom, Inc. was $37,581,902 at March 31, 2002, reflecting 61.3% equity and 38.7% debt. This compares to a capital structure of $37,544,756 at December 31, 2001, reflecting 58.2% equity and 41.8% debt. Management believes adequate internal and external resources are available to finance ongoing operating requirements, including capital expenditures, business development, debt service and the payment of dividends for at least the next twelve months.

CASH FLOWS

Cash provided by operations was $1,958,067 for the three-month period ended March 31, 2002 compared to $1,415,873 for the three-month period ended March 31, 2001. Cash flows from operations for the three months ended March 31, 2002 and 2001 were primarily attributable to net income plus non-cash expenses for depreciation and amortization.

Cash flows used in investing activities were $3,292,556 for the three months ended March 31, 2002 compared to $1,347,259 for the same period in 2001. Purchase of cellular investments were $1,610,341 for the three months ended

March 31, 2002 due to the purchase of shares by Peoples Telephone Company in MWH due to the dissolution of Three Lakes Cellular, Inc. and the Cherokee Cellular, Inc. "C" Corporations compared to no capital outlay for the purchase of cellular investments for the same period in 2001. Capital expenditures relating to on-going businesses were $1,577,730 during the first three months of 2002 as compared to $1,329,410 for the same period in 2001. Capital expenditures were incurred primarily to enhance the Company's infrastructure and to construct additional network facilities to provide CLEC services in Redwood Falls, MN.

Cash flows used in financing activities was $1,947,795 for the three-month period ended March 31, 2002 compared to $98,199 for the three-month period ended March 31, 2001. Included in cash flows used in financing activities are debt repayments, debt borrowings, repurchased and retired stock, and dividend payments. During the first three month of 2002, New Ulm Telecom, Inc. borrowed $1,420,000 under its revolving credit facility to cover cash requirements, primarily to repay $2,566,666 of senior unsecured debt with Phoenix Life Mutual Insurance Company. During the first three months of 2001, New Ulm Telecom, Inc. borrowed $900,000 to cover cash requirements, primarily for capital expenditures.

DIVIDENDS

The Company paid dividends of $426,129 in the first quarter of 2002 compared to $430,255 for the same period in 2001. This was a dividend of $.0833 per share, which was equal to the $.0833 per share paid in the same period in 2001. The Company's reinvested growth in equity has come about while maintaining dividends to shareholders. The Company has made no announcements or plans to increase the dividends above historic levels for the remainder of 2002. Paying at the existing level of dividends is not expected to negatively impact the liquidity of the Company.

SHARE REPURCHASE PROGRAM

In 2001 the Company's Board of Directors authorized management to repurchase shares of Company common stock through private transactions. During 2001, the Company repurchased 26,760 shares for $981,000. During the first three months of 2001, the Company repurchased 12,990 shares for $476,277. The Company has no plans to repurchase any shares in 2002.

WORKING CAPITAL

Working capital was a negative $10,606 as of March 31, 2002, compared to working capital of $4,191,972 as of December 31, 2001. However, the 2001 net working capital includes over $3,000,000 of CoBank loan advances received in December 2001. These funds were expended in the first quarter 2002. They were used to purchase additional common stock investments in two Iowa RSA corporations and early retirement of Phoenix Life Mutual Insurance Company long-term debt. The decrease in working capital is primarily due to the increase in accrued income taxes and the reduction of cash and cash equivalents. The ratio of current assets to current liabilities was 1.0:1.0 as of March 31, 2002 and 2.4:1.0 as of December 31, 2001.

LONG-TERM DEBT

In fiscal 2001, the Company entered into a $15 million secured ten-year reducing revolving credit facility maturing in 2011. The borrowings under the credit facility bear interest, at the Company's option, at either fixed or variable rates linked to the Company's overall leverage ratio. This ten-year loan requires equal monthly payments of $125,000. At March 31, 2002, there was $14,625,000 of direct borrowings outstanding under this facility at an interest rate of 3.21%.

In addition, the Company has also secured a $10 million secured ten-year reducing revolving credit facility maturing in 2011. The borrowings under the credit facility bear interest, at the Company's option, at either fixed or variable rates linked to the Company's overall leverage ratio. Principal payments of $250,000 per quarter begin once the funds are fully drawn or reduces to an amount that equals what has been borrowed. At March 31, 2002, there was $1,420,000 of direct borrowings outstanding under this facility at an interest rate of 3.21%. Unadvanced loan funds totaled $8,580,000 at March 31, 2002. These loan funds are designated for future telecommunications plant construction and for cellular investments.

The Company had three unsecured notes payable to Phoenix Home Life Mutual Insurance Company. By mutual agreement these notes were paid in full on March 1, 2002 using funds from CoBank.

OTHER

The Company has not conducted a public equity offering. It operates with original equity capital, retained earnings and recent additions to indebtedness in the form of senior debt and bank lines of credit. The Company is comfortable with debt to total capital proportions of 40 to 55 percent.

ITEM 3. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

New Ulm Telecom, Inc. does not have operations subject to risks of foreign currency fluctuations, nor does New Ulm Telecom, Inc. use derivative financial instruments in its operations or investment portfolio. New Ulm Telecom, Inc.'s earnings are affected by changes in interest rates as its long-term debt is based on variable rates. Should interest rates rise significantly, management would likely act to mitigate its exposure to the change by converting a portion of its variable-rate debt to fixed-rate debt.

PART II. OTHER INFORMATION

Items 1-6. Not Applicable

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

NEW ULM TELECOM, INC.
(Registrant)

Dated: April 30, 2002 By /s/ James P. Jensen

James P. Jensen, Chairman

Dated: April 30, 2002 By /s/ Bill Otis

Bill Otis, President