



One Telephone Drive  
P. O. Box 609  
Mt. Vernon, Oregon 97865  
(541) 932-4411

October 9, 2013

Electronic Filing

Ms. Marlene H. Dortch  
Office of Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: WC Docket No. 10-90 & 11-42  
Annual §54.313/54.422 Report of High-Cost and Low Income Recipient, Form 481

Dear Ms. Dortch:

Enclosed herein is the annual report for North-State Telephone Co., Study Area Code 532388 pursuant to §54.313/54.422 of the Commission's rules.

Please contact me with any questions at:

Phone: 541-932-4411  
Email: [dkluser@ortelco.net](mailto:dkluser@ortelco.net)

Sincerely,

Attachment

Copies to:

Universal Service Administrative Company  
Electronic Filing  
Washington, DC 20036

Public Utility Commission  
Electronic Filing

<b>FCC Form 481 - Carrier Annual Reporting Data Collection Form</b>	<b>FCC Form 481</b> OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	532288
<015> Study Area Name	NORTH STATE TEL CO.
<020> Program Year	2019
<030> Contact Name: Person USAC should contact with questions about this data	Delinda Kluser
<035> Contact Telephone Number: Number of the person identified in data line <030>	541 932 4431
<039> Contact Email Address: Email of the person identified in data line <030>	dkluser@ortelco.net

ANNUAL REPORTING FOR ALL CARRIERS		54.313 Completion Required	54.422 Completion Required
<i>(check box when complete)</i>			
<100> Service Quality Improvement Reporting	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<200> Outage Reporting (voice)	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<210> <input checked="" type="checkbox"/> <- check box if no outages to report		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<300> Unfulfilled Service Requests (voice)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<310> Detail on Attempts (voice)	<i>(attach descriptive document)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)	<input type="text" value="0"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<330> Detail on Attempts (broadband)	<i>(attach descriptive document)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<410> Fixed	<input type="text" value="0.0"/>		
<420> Mobile	<input type="text"/>		
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input type="checkbox"/>
<440> Fixed	<input type="text" value="0.0"/>		
<450> Mobile	<input type="text"/>		
<500> Service Quality Standards & Consumer Protection Rules Compliance	<i>(check to indicate certification)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<510> <input type="text" value="53238802510"/>	<i>(attached descriptive document)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<600> Functionality in Emergency Situations	<i>(check to indicate certification)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<610> <input type="text" value="53238802610"/>	<i>(attached descriptive document)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<700> Company Price Offerings (voice)	<i>(complete attached worksheet)</i>	<input type="checkbox"/>	<input type="checkbox"/>
<710> Company Price Offerings (broadband)	<i>(complete attached worksheet)</i>	<input type="checkbox"/>	<input type="checkbox"/>
<800> Operating Companies and Affiliates	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input type="radio"/> <input checked="" type="radio"/>	<i>(if yes, complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1000> Voice Services Rate Comparability	<i>(check to indicate certification)</i>	<input type="checkbox"/>	<input type="checkbox"/>
<1010> <input type="text"/>	<i>(attach descriptive document)</i>	<input type="checkbox"/>	<input type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	<i>(if not, check to indicate certification)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<1110> <input type="text"/>	<i>(complete attached worksheet)</i>	<input type="checkbox"/>	<input type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	<i>(complete attached worksheet)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

<b>Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet</b>			
<i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>			
<2000>	<i>(check to indicate certification)</i>	<input type="checkbox"/>	<input type="checkbox"/>
<2005>	<i>(complete attached worksheet)</i>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet</b>			
<3000>	<i>(check to indicate certification)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<3005>	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

<b>[100] Service Quality Improvement Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	032308
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	DeLinda Riuser
<035>	Contact Telephone Number - Number of person identified in data line <030>	541 932 4411
<039>	Contact Email Address - Email Address of person identified in data line <030>	dRiuser@ortelco.net

<110>	Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
<111>	If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

<113> Maps detailing progress towards meeting plan targets		<input type="checkbox"/>
<114> Report how much universal service (USF) support was received		<input type="checkbox"/>
<115> How (USF) was used to improve service quality		<input type="checkbox"/>
<116> How (USF) was used to improve service coverage		<input type="checkbox"/>
<117> How (USF) was used to improve service capacity		<input type="checkbox"/>
<118> Provide an explanation of network improvement targets not met in the prior calendar year.		<input type="checkbox"/>









<b>(900) Tribal Lands Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<b>&lt;010&gt;</b>	Study Area Code	532388
<b>&lt;015&gt;</b>	Study Area Name	NORTH STATE TEL. CO.
<b>&lt;020&gt;</b>	Program Year	2014
<b>&lt;030&gt;</b>	Contact Name - Person USAC should contact regarding this data	DeLinda Klasket
<b>&lt;035&gt;</b>	Contact Telephone Number - Number of person identified in data line <030>	541 332 4411
<b>&lt;039&gt;</b>	Contact Email Address - Email Address of person identified in data line <030>	dklasket@northtelco.net

**<910>** Tribal Land(s) on which ETC Serves

**<920>** Tribal Government Engagement Obligation

Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921>** Needs assessment and deployment planning with a focus on Tribal community anchor institutions;
- <922>** Feasibility and sustainability planning;
- <923>** Marketing services in a culturally sensitive manner;
- <924>** Compliance with Rights of way processes
- <925>** Compliance with Land Use permitting requirements
- <926>** Compliance with Facilities Siting rules
- <927>** Compliance with Environmental Review processes
- <928>** Compliance with Cultural Preservation review processes
- <929>** Compliance with Tribal Business and Licensing requirements.

Select (Yes, No, NA)

<b>(1100) No Terrestrial Backhaul Reporting Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010>	Study Area Code	540388
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	DeLinda Kluser
<035>	Contact Telephone Number - Number of person identified in data line <030>	541 437 4411
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluser@stateco.net

<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G)

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G)

**(1200) Terms and Condition for Lifeline Customers**  
**Lifeline**  
**Data Collection Form**

FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

<010>	Study Area Code	532386
<015>	Study Area Name	NORTH STATE TEL CO.
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Kluse
<035>	Contact Telephone Number - Number of person identified in data line <030>	541 922 4411
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluse@northstate.net

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

532386ori222

Name of attached document (.pdf)

<1220> Link to Public Website

HTTP <http://www.puc.state.or.us/Pages/rspr/orap.aspx>

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,
- <1222> Details on the number of minutes provided as part of the plan,
- <1223> Additional charges for toll calls, and rates for each such plan.

**(2000) Price Cap Carrier Additional Documentation**

**Data Collection Form**

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

FCC Form 481

OMB Control No 3060-0986/OMB Control No 3060-0819

July 2013

<010>	Study Area Code	532388
<015>	Study Area Name	NORTH STATE TEL. CO.
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Delinda Fisher
<035>	Contact Telephone Number - Number of person identified in data line <030>	541 932 4411
<039>	Contact Email Address - Email Address of person identified in data line <030>	dkluerd@ortc.net

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

<b>Incremental Connect America Phase I reporting</b>		
<2010>	2nd Year Certification (47 CFR § 54.313(b)(1))	<input type="checkbox"/>
<2011>	3rd Year Certification (47 CFR § 54.313(b)(2))	<input type="checkbox"/>
<b>Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))</b>		
<2012>	2013 Frozen Support Certification	<input type="checkbox"/>
<2013>	2014 Frozen Support Certification	<input type="checkbox"/>
<2014>	2015 Frozen Support Certification	<input type="checkbox"/>
<2015>	2016 and future Frozen Support Certification	<input type="checkbox"/>
<b>Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))</b>		
<2016>	Certification Support Used to Build Broadband	<input type="checkbox"/>
<b>Connect America Phase II Reporting (47 CFR § 54.313(e))</b>		
<2017>	3rd year Broadband Service Certification	<input type="checkbox"/>
<2018>	5th year Broadband Service Certification	<input type="checkbox"/>
<2019>	Interim Progress Certification	<input type="checkbox"/>
<2020>	Please check the box to confirm that the attached PDF, on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<input type="checkbox"/>
<2021>	Interim Progress Community Anchor Institutions	Name of Attached Document Listing Required Information _____

<b>(3000) Rate Of Return Carrier Additional Documentation</b> Data Collection Form	FCC Form 481 OMB Control No. 3060-0886/OMB Control No. 3060-0819 July 2013
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<b>&lt;010&gt;</b>	Study Area Code	532386
<b>&lt;015&gt;</b>	Study Area Name	NORTH STATE TEL CO.
<b>&lt;020&gt;</b>	Program Year	2014
<b>&lt;030&gt;</b>	Contact Name - Person USAC should contact regarding this data	Delinda Klusek
<b>&lt;035&gt;</b>	Contact Telephone Number - Number of person identified in data line <030>	541 932 4411
<b>&lt;039&gt;</b>	Contact Email Address - Email Address of person identified in data line <030>	dklusek@ortelco.net

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

**Progress Report on 5 Year Plan**

<p><b>(3010)</b> Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313 (f)(1)(i), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.</p>	Name of Attached Document Listing Required Information <input type="checkbox"/>	
<p><b>(3012)</b> Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii)) <b>(3013)</b> Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) <b>(3014)</b> If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:</p>	Name of Attached Document Listing Required Information <input checked="" type="checkbox"/> (Yes/No) <input checked="" type="checkbox"/> (Yes/No)	
<p><b>(3015)</b> Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)</p>	<input type="checkbox"/> <input checked="" type="checkbox"/>	
<p><b>(3016)</b> PDF of Balance Sheet, Income Statement and Statement of Cash Flows</p>	<input checked="" type="checkbox"/>	
<p><b>(3017)</b> If the response is yes on line 3014, attach your company's RUS annual report and all required documentation</p>	Name of Attached Document Listing Required Information 532389 or 3017	
<p><b>(3018)</b> If the response is no on line 3014, is your company audited?  If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains:</p>	<input type="checkbox"/> (Yes/No)	
<p><b>(3019)</b> Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications</p>	<input type="checkbox"/>	
<p><b>(3020)</b> PDF of Balance Sheet, Income Statement and Statement of Cash Flows</p>	<input type="checkbox"/>	
<p><b>(3021)</b> Management letter issued by the independent certified public accountant that performed the company's financial audit.</p>	<input type="checkbox"/>	
<p>If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers,</p>	<input type="checkbox"/>	
<p><b>(3022)</b> Underlying information subjected to a review by an independent certified public accountant</p>	<input type="checkbox"/>	
<p><b>(3023)</b> Underlying information subjected to an officer certification.</p>	<input type="checkbox"/>	
<p><b>(3024)</b> Underlying information subjected to an officer certification.</p>	<input type="checkbox"/>	
<p><b>(3025)</b> PDF of Balance Sheet, Income Statement and Statement of Cash Flows</p>	<input type="checkbox"/>	
<p><b>(3026)</b> Attach the worksheet listing required information</p>	Name of Attached Document Listing Required Information _____	

<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	532388
<015> Study Area Name	NORTH STATE TEL CO.
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Lelinda Kluser
<035> Contact Telephone Number - Number of person identified in data line <030>	541 932 4411
<039> Contact Email Address - Email Address of person identified in data line <030>	lkluser@nortelco.net

**TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:**

<b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	NORTH STATE TEL CO.
Signature of Authorized Officer:	CERTIFIED ONLINE Date 10/08/2013
Printed name of Authorized Officer:	Lelinda Kluser
Title or position of Authorized Officer:	Vice-Pres, Manager
Telephone number of Authorized Officer:	541-932-4411
Study Area Code of Reporting Carrier:	532388 Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. 66 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

<b>Certification - Agent / Carrier Data Collection Form</b>		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3068-0819 July 2013
<010> Study Area Code	52288	
<015> Study Area Name	NORTH STATE TEL CO.	
<020> Program Year	2014	
<030> Contact Name - Person USAC should contact regarding this data	Delinda Kluser	
<035> Contact Telephone Number - Number of person identified in data line <030>	541 931 4411	
<039> Contact Email Address - Email Address of person identified in data line <030>	dkluser@northtelco.net	

**TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:**

<b>Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier</b>	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
<small>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</small>	

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

<b>Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier</b>	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
<small>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</small>	

## Attachments



## Service Quality Standards &amp; Consumer Protection Rules Compliance

Study Area Code	532388
Study Area Name	NORTH-STATE TELEPHONE CO
Program Year	2014
Contact Name	DELINDA KLUSER
Contact Telephone Number	541 932 4411
Contact E-Mail Address	<a href="mailto:dkluser@ortelco.net">dkluser@ortelco.net</a>

Consumer Protection

North-State Telephone Co. complies with the requirements of 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

Service Quality Standards

North-State Telephone Co. complies with the service standards of the State of Oregon as promulgated in the Oregon Administrative Rules 860-034-0390, Retail Telecommunications Service Standards for Small Telecommunications Utilities.

600

FUNCTIONALITY IN EMERGENCY SITUATIONS

Study Area Code 532388  
Study Area Name NORTH-STATE TELEPHONE CO  
Program Year 2014  
Contact Name DELINDA KLUSER  
Contact Telephone Number 541 932 4411  
Contact E-Mail Address [dkluser@ortelco.net](mailto:dkluser@ortelco.net)

<u>Exchang</u>	<u>Site Name</u>	<u>Battery Ah</u>	<u>Est Battery Life</u>	<u>Backup Pwr</u>	<u>Fuel Type</u>	<u>Capacity</u>	<u>Est Run Time</u>	<u>Notes</u>
Dufur	Dufur CO	170 Ah	11 hrs	Generator	Propane	250 gal	100 hrs	
Dufur	Dufur Valley Calix ODC-1000	170 Ah	15 hrs	N/A	N/A	N/A	N/A	
Dufur	Dufur Valley Calix ODC-1000	170 Ah	15 hrs	N/A	N/A	N/A	N/A	
Dufur	Adtran	50 Ah	7 hrs	N/A	N/A	N/A	N/A	
Dufur	Adtran	50 Ah	7 hrs	N/A	N/A	N/A	N/A	
Dufur	Adtran	50 Ah	7 hrs	N/A	N/A	N/A	N/A	
Dufur	Adtran	50 Ah	7 hrs	N/A	N/A	N/A	N/A	

1200

Terms and Conditions for Lifeline  
Customers

Study Area Code	532388
Study Area Name	NORTH-STATE TELEPHONE CO
Program Year	2014
Contact Name	DELINDA KLUSER
Contact Telephone Number	541 923 441
Contact E-Mail Address	<a href="mailto:dkluser@ortelco.net">dkluser@ortelco.net</a>

**54.313 Lifeline customers MOU and additional toll charges**

Lifeline subscribers receive the same residential service as a regular subscriber, but at a reduced monthly recurring rate. Thus, lifeline subscribers have an unlimited number of local calling minutes. As for toll, lifeline subscribers, similar to every North-State Telephone subscriber, are free to choose their own toll usage plans through IXCs that serve North-State Telephone Co.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0131. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, gathering existing data sources, gathering and maintaining the data needed, and completing, reviewing, and reporting the collection of information.

USDA-RUS	This data will be used by RUS to review and monitor the financial condition. Your response is requested by 7 CFR 178.201 (b)(1) and subject to the provisions and restrictions regarding confidential information which are stated in the instructions.	
<b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	BORROWER NAME North-State Telephone Co.	

USDA-RUS: 1302/US submit reports to RUS within 30 days after close of the period. For detailed instructions see RUS Bulletin 1744-2 Report in whole dollars only	PERIOD ENDING December, 2012	BORROWER DESIGNATION OR0532
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**CERTIFICATION**

I, hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

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

**DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7 CFR CHAPTER XVII**  
(Check one of the following):

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) were specifically described in the Telecom Operating Report

Delinda Kluser 3/21/2013  
DATE

**PART A. BALANCE SHEET**

ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1 Cash and Equivalents	2,206,558	2,588,387	25 Accounts Payable	282,705	245,501
2 Cash-RUS Construction Fund			26 Notes Payable		
3 Affiliates			27 Advance Billings and Payments	30,060	32,030
a Telecom, Accounts Receivable	39,544	38,737	28 Customer Deposits	1,275	1,459
b Other Accounts Receivable	5,159	2,584	29 Current Mat. L/T Debt	367,764	366,243
c Notes Receivable			30 Current Mat. L/T Debt-Rur. Dev.		
4 Non-Affiliates			31 Current Mat.-Capital Leases		
a Telecom, Accounts Receivable			32 Income Taxes Accrued		64,640
b Other Accounts Receivable	186,324	171,375	33 Other Taxes Accrued		
c Notes Receivable	98,940	98,940	34 Other Current Liabilities		
5 Interest and Dividends Receivable	4,060	7,008	35 Total Current Liabilities (25 thru 34)	681,504	732,833
6 Material-Regulated			<b>LONG-TERM DEBT</b>		
7 Material-Nonregulated			36 Funded Debt-RUS Notes	7,945,325	7,571,274
8 Prepayments	87,468	3,256	37 Funded Debt-RTB Notes		
9 Other Current Assets			38 Funded Debt-FFB Notes		
10 Total Current Assets (1 Thru 9)	2,626,033	2,910,282	39 Funded Debt-Other		
<b>NONCURRENT ASSETS</b>			40 Funded Debt-Rural Develop. Loan		
11 Investment in Affiliated Companies			41 Premium (Discount) on L/T Debt		
a Rural Development	1,377,643	1,669,490	42 Recquired Debt		
b Nonrural Development	228,828	165,025	43 Obligations Under Capital Lease	142,256	129,620
12 Other Investments			44 Adv. From Affiliated Companies		
a Rural Development			45 Other Long-Term Debt	520,704	490,644
b Nonrural Development	11,000	11,000	46 Total Long-Term Debt (36 thru 45)	8,606,285	8,191,343
13 Nonregulated Investments			<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14 Other Noncurrent Assets			47 Other Long-Term Liabilities		774
15 Deferred Charges			48 Other Deferred Credits	1,016,229	2,120,709
16 Jurisdictional Differences			49 Other Jurisdictional Differences		
17 Total Noncurrent Assets (11 thru 16)	1,617,471	1,845,515	50 Total Other Liabilities and Deferred Credits (47 thru 49)	1,017,203	1,121,483
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			<b>EQUITY</b>		
18 Tel.com, Plant-in-Service	11,802,990	11,817,277	51 Cap. Stock Outstand & Subscribed	2,345,950	2,345,950
19 Property Held for Future Use			52 Additional Paid-in Capital	2,150	2,150
20 Plant Under Construction			53 Treasury Stock	(1,347,650)	(1,347,650)
21 Plant Adj. Nonop. Plant & Goodwill			54 Membership and Cap. Certificates		
22 Less Accumulated Depreciation	3,142,040	3,569,559	55 Other Capital		
23 Net Plant (18 thru 21 less 22)	8,660,950	8,247,718	56 Patronage Capital Credits		
24 TOTAL ASSETS (10+17+23)	12,906,454	13,003,515	57 Retained Earnings or Margins	2,535,222	2,951,606
			58 Total Equity (51 thru 57)	2,599,462	2,957,656
			59 TOTAL LIABILITIES AND EQUITY (35+46+50+58)	12,916,454	13,003,515

Total Equity = 22.75% % of Total Assets

USDA-RUS		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		OR0512	
		PERIOD ENDING	
INSTRUCTIONS- See RUS Bulletin 1744-2		December, 2012	
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS			
ITEM		PRIOR YEAR	THIS YEAR
1	Local Network Services Revenues	127,914	125,133
2	Network Access Services Revenues	2,042,776	2,190,931
3	Long Distance Network Services Revenues		
4	Carrier Billing and Collection Revenues	5,045	32,817
5	Miscellaneous Revenues	30,659	30,725
6	Uncollectible Revenues	681	2,172
7	<b>Net Operating Revenues (1 thru 5 less 6)</b>	<b>2,426,749</b>	<b>2,396,444</b>
8	Plant Specific Operations Expense	192,867	520,174
9	Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	62,674	66,488
10	Depreciation Expense	423,595	427,315
11	Amortization Expense		
12	Customer Operations Expense	36,014	13,252
13	Corporate Operations Expense	306,605	292,499
14	<b>Total Operating Expenses (8 thru 13)</b>	<b>1,022,755</b>	<b>1,319,728</b>
15	Operating Income or Margins (7 less 14)	1,393,994	1,076,716
16	Other Operating Income and Expenses	1,141	921
17	State and Local Taxes	47,209	72,581
18	Federal Income Taxes	224,376	257,085
19	Other Taxes	146,819	166,372
20	<b>Total Operating Taxes (17+18+19)</b>	<b>418,404</b>	<b>496,038</b>
21	Net Operating Income or Margins (15+16-20)	966,731	581,678
22	Interest on Funded Debt	424,901	406,692
23	Interest Expense - Capital Leases		
24	Other Interest Expense		
25	Allowance for Funds Used During Construction		
26	<b>Total Fixed Charges (22+23+24-25)</b>	<b>424,901</b>	<b>406,692</b>
27	Nonoperating Net Income	75,204	17,071
28	Extraordinary Items		
29	Jurisdictional Differences		
30	Nonregulated Net Income	(137,963)	(104,518)
31	<b>Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>509,735</b>	<b>188,192</b>
32	Total Taxes Based on Income	284,927	272,222
33	Retained Earnings or Margins Beginning-of-Year	2,095,479	2,595,212
34	Miscellaneous Credits Year-to-Date	(2)	1
35	Dividends Declared (Common)		
36	Dividends Declared (Preferred)		
37	Other Debits Year-to-Date		
38	Transfers to Patronage Capital		
39	<b>Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]</b>	<b>2,595,272</b>	<b>2,951,676</b>
40	Patronage Capital Beginning-of-Year		
41	Transfers to Patronage Capital		
42	Patronage Capital Credits Retired		
43	<b>Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44	Annual Debt Service Payments	762,885	775,261
45	Cash Ratio [(14+20-10-11) / 7]	6.4217	6.4576
46	Operating Accrual Ratio [(14+20+26) / 7]	9.7769	9.4227
47	TIER [(31+26) / 26]	2.2008	1.8908
48	DSCR [(31+26+10+11) / 44]	1.7827	1.8305

USDA-RUS		BORROWER DESIGNATION
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		OR0502
INSTRUCTIONS – See help in the online application.		PERIOD ENDED December 2014
<b>PART I – STATEMENT OF CASH FLOWS</b>		
1.	Beginning Cash (Cash and Equivalents plus RUS Construction Fund)	2,566,354
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
2.	Net Income	352,393
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>		
3.	Add: Depreciation	427,543
4.	Add: Amortization	0
5.	Other (Explain) Income Tax Pay/Interest Receivable	-1,470
<i>Changes in Operating Assets and Liabilities</i>		
6.	Decrease/(Increase) in Accounts Receivable	16,336
7.	Decrease/(Increase) in Materials and Inventory	0
8.	Decrease/(Increase) in Prepayments and Deferred Charges	54,212
9.	Decrease/(Increase) in Other Current Assets	0
10.	Increase/(Decrease) in Accounts Payable	13,244
11.	Increase/(Decrease) in Advance Billings & Payments	-940
12.	Increase/(Decrease) in Other Current Liabilities	0
13.	Net Cash Provided/(Used) by Operations	818,965
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
14.	Decrease/(Increase) in Notes Receivable	0
15.	Increase/(Decrease) in Notes Payable	0
16.	Increase/(Decrease) in Customer Deposits	15,211
17.	Net increase/(Decrease) in Long Term Debt (Including Current Maturities)	(398,464)
18.	Increase/(Decrease) in Other Liabilities & Deferred Credits	154,280
19.	Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	0
20.	Less: Payment of Dividends	0
21.	Less: Patronage Capital Credits Retired	0
22.	Other (Explain)	
23.	Net Cash Provided/(Used) by Financing Activities	(234,769)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
24.	Net Capital Expenditures (Property, Plant & Equipment)	(14,287)
25.	Other Long-Term Investments	(226,444)
26.	Other Noncurrent Assets & Jurisdictional Differences	0
27.	Other (Explain)	
28.	Net Cash Provided/(Used) by Investing Activities	(240,731)
29.	Net Increase/(Decrease) in Cash	10,425
30.	Ending Cash	2,576,779

Revision Date 2010

NORTH STATE TELEPHONE COMPANY

RUS MANAGEMENT LETTER

DECEMBER 31, 2012 AND 2011



INDEPENDENT AUDITOR'S MANAGEMENT LETTER FOR TELECOMMUNICATIONS  
BORROWERS

February 22, 2013

Board of Directors  
North State Telephone Company  
Mt. Vernon, Oregon

We have audited the financial statements of North State Telephone Company for the years ended December 31, 2012 and 2011, and have issued our report thereon dated February 22, 2013. We conducted our audits in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR part 1773, Policy on Audits of Rural Utility Services (RUS) Borrowers. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audits of the financial statements of North State Telephone Company for the years ended December 31, 2012 and 2011, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

A description of the responsibility of management for establishing and maintaining the internal control over financial reporting and the objectives of and inherent limitations in such control is set forth in our independent auditor's report on internal control over financial reporting and on compliance dated February 22, 2013, and should be read in conjunction with this report.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a significant deficiency, or combination of significant deficiencies, in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be prevented or detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Section 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed

tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR 1773.33 (e)(2), and related party transactions and investments. In addition, our audits of the financial statements also included the procedures specified in 7 CFR 1773.38 - .45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports other than our independent auditor's report and our independent auditor's report on internal control over financial reporting and on compliance, all dated February 22, 2013, or summary of recommendations related to our audits have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR 1773.33 are presented below.

#### COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING

We noted no matters regarding North State Telephone Company's internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- \* The accounting procedures and records;
- \* The process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and
- \* The materials control.

#### COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS

Management's responsibility for compliance with laws, regulations, contracts, and grants is set forth in our independent auditor's report on compliance and on internal control over financial reporting dated February 22, 2013, and should be read in conjunction with this report. At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts, and grants. The procedures we performed are summarized as follows:

- \* Procedure performed with respect to the requirement to maintain all funds in institutions whose accounts are insured by an Agency of the Federal government:
  1. Obtained information from financial institutions with which North State Telephone Company maintains funds that indicated that the institutions are insured by an agency of the Federal government.
  
- \* Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, for the use of mortgaged property by others, or for services pertaining to toll traffic, operator assistance, or switching for the years ended December 31, 2012 and 2011, of North State Telephone Company.
  1. Obtained and read a borrower-prepared schedule of new written contracts, agreements or leases entered into during the years between the borrower and an affiliate as defined in §1773.33 (e)(2)(i).
  2. Reviewed Board of Director minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule.
  3. Noted the existence of written RUS approval of each contract listed by the borrower.
  
- \* Procedure performed with respect to the requirement to submit RUS Form 479 to the RUS:
  4. Agreed amounts reported in Form 479 to North State Telephone Company's records.

The results of our tests indicate that, with respect to the items tested, North State Telephone Company complied, except as noted below, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- \* The borrower maintains all funds in institutions whose accounts are insured by an agency of the Federal government. The Company does, however, have funds in excess of insured amounts deposited in those accounts.
  
- \* The borrower has obtained written approval of the RUS to enter into any contract, agreement or lease with an affiliate as defined in §1773.33 (e)(2)(i); and
  
- \* The borrower has submitted its Form 479 to the RUS and the Form 479, Financial and Statistical Report, as of December 31, 2011, represented by the borrower as having been submitted to RUS, is in agreement with the North State Telephone Company's audited records in all material respects. Form 479 for 2012 was not completed as of our report date.

COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audits of the financial statements of North State Telephone Company, nothing came to our attention that caused us to believe that North State Telephone Company failed to comply with respect to:

- \* The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR 1773.33 (c)(1);
- \* The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR 1773.33 (c)(2);
- \* The retirement of plant addressed at 7 CFR 1773.33 (c)(3) and (4);
- \* The approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR 1773.33 (c)(5);
- \* The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, Related Party Transactions, for the years ended December 31, 2012 and 2011, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR 1773.33 (e); and
- \* The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of investments required by 7 CFR 1773.33 (i), and provided below, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Investment	% Owned	Original Investment	Advances	Current Earnings	Prior Accumulated Earnings	Ending Investment
North State Cablevision Company	100%	\$ 1,000	\$221,176	\$ (74,701)	\$ 17,552	\$ 165,027
Oregon Telephone Corporation	32 shares	935,124	0	0	0	935,124
Beaver Creek Telephone Company	100%	645,868	0	39,005	49,491	734,364
Western Independent Networks, Inc.	32 shares	8,500	2,500	0	0	11,000
		<u>\$1,590,492</u>	<u>\$223,676</u>	<u>\$ (35,696)</u>	<u>\$ 67,043</u>	<u>\$1,845,515</u>

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Wiggins & Co, LLC*

Brigham City, Utah 84302

February 22, 2013