

FCC Form 481 - Carrier Annual Reporting Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	482248
<015> Study Area Name	NORTHERN TEL COOP
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Michael Sheard
<035> Contact Telephone Number: Number of the person identified in data line <030>	(406) 937-2114
<039> Contact Email Address: Email of the person identified in data line <030>	msheard@northerntel.net

ANNUAL REPORTING FOR ALL CARRIERS	54,313 Completion Required	54,422 Completion Required
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			(check box when complete)	
<100> Service Quality Improvement Reporting	(complete attached worksheet)		<input checked="" type="checkbox"/>	
<200> Outage Reporting (voice)	(complete attached worksheet)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report				
<300> Unfulfilled Service Requests (voice)		0	<input checked="" type="checkbox"/>	
<310> Detail on Attempts (voice)	(attach descriptive document)		<input checked="" type="checkbox"/>	
<320> Unfulfilled Service Requests (broadband)		0	<input checked="" type="checkbox"/>	
<330> Detail on Attempts (broadband)	(attach descriptive document)		<input checked="" type="checkbox"/>	
<400> Number of Complaints per 1,000 customers (voice)			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed		0.0		
<420> Mobile				
<430> Number of Complaints per 1,000 customers (broadband)			<input checked="" type="checkbox"/>	
<440> Fixed		0.0		
<450> Mobile				
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> 482248mc510	(attached descriptive document)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> 482248mc610	(attached descriptive document)		<input checked="" type="checkbox"/>	
<700> Company Price Offerings (voice)	(complete attached worksheet)			
<710> Company Price Offerings (broadband)	(complete attached worksheet)			
<800> Operating Companies and Affiliates	(complete attached worksheet)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if yes, complete attached worksheet)		<input checked="" type="checkbox"/>	
<1000> Voice Services Rate Comparability	(check to indicate certification)			
<1010>	(attach descriptive document)			
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)			
<1110>	(complete attached worksheet)			
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)			<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet
 Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)			
<2005>	(complete attached worksheet)		<input type="checkbox"/>	

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

<3000>	(check to indicate certification)		<input checked="" type="checkbox"/>	
<3005>	(complete attached worksheet)		<input checked="" type="checkbox"/>	

**(100) Service Quality Improvement Reporting
Data Collection Form**

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

<010> Study Area Code 482248
 <015> Study Area Name NORTHERN TEL COOP
 <020> Program Year 2014
 <030> Contact Name - Person USAC should contact regarding this data Michael Sheard
 <035> Contact Telephone Number - Number of person identified in data line <030> (406) 937-2114
 <039> Contact Email Address - Email Address of person identified in data line <030> msheard@northern.tel.net

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

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
- <114> Report how much universal service (USF) support was received
- <115> How (USF) was used to improve service quality
- <116> How (USF) was used to improve service coverage
- <117> How (USF) was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.

<input type="checkbox"/>

(900) Tribal Lands Reporting Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

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

<920> Tribal Government Engagement Obligation

482248mc920

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)
Yes
Yes

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**

 FCC Form 481
 OMB Control No. 3060-0986/OMB Control No. 3060-0819
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<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
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<1210> Terms & Conditions of Voice Telephony Lifeline Plans 482248mt1210

Name of attached document (.pdf)

<1220> Link to Public Website HTTP _____

“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 <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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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.

Incremental Connect America Phase I reporting		
<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"/>
Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}		
<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"/>
Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}		
<2016>	Certification Support Used to Build Broadband	<input type="checkbox"/>
Connect America Phase II Reporting {47 CFR § 54.313(e)}		
<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 _____

(3000) Rate Of Return Carrier Additional Documentation	FCC Form 481
Data Collection Form	OMB Control No. 3060-0986/OMB Control No. 3060-0819
	July 2013

<010>	Study Area Code	402248
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<035>	Contact Telephone Number - Number of person identified in data line <030>	(406) 937-2114
<039>	Contact Email Address - Email Address of person identified in data line <030>	mheard@northern1.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>(3010) 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>	<p>Name of Attached Document Listing Required Information</p> <div style="border: 1px solid black; width: 100%; height: 15px; margin-bottom: 5px;"></div>
<p>(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii)) (3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) (3014) 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: (3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers) (3016) PDF of Balance Sheet, Income Statement and Statement of Cash Flows (3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation</p>	<p>Name of Attached Document Listing Required Information</p> <div style="display: flex; justify-content: space-between; align-items: center;"> <input checked="" type="checkbox"/> (Yes/No) <div style="border: 1px solid black; width: 100%; height: 15px; margin-left: 5px;"></div> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 5px;"> <input type="checkbox"/> (Yes/No) <div style="border: 1px solid black; width: 100%; height: 15px; margin-left: 5px;"></div> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 5px;"> <input type="checkbox"/> <div style="border: 1px solid black; width: 100%; height: 15px; margin-left: 5px;"></div> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 5px;"> <input type="checkbox"/> <div style="border: 1px solid black; width: 100%; height: 15px; margin-left: 5px;"></div> </div>
<p>(3018) 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: (3019) Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications (3020) PDF of Balance Sheet, Income Statement and Statement of Cash Flows (3021) Management letter issued by the independent certified public accountant that performed the company's financial audit. 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: (3022) 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, (3023) Underlying information subjected to a review by an independent certified public accountant (3024) Underlying Information subjected to an officer certification. (3025) PDF of Balance Sheet, Income Statement and Statement of Cash Flows (3026) Attach the worksheet listing required information</p>	<p>Name of Attached Document Listing Required information</p> <div style="display: flex; justify-content: space-between; align-items: center;"> <input checked="" type="checkbox"/> (Yes/No) <div style="border: 1px solid black; width: 100%; height: 15px; margin-left: 5px;"></div> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 5px;"> <input checked="" type="checkbox"/> <div style="border: 1px solid black; width: 100%; height: 15px; margin-left: 5px;"></div> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 5px;"> <input checked="" type="checkbox"/> <div style="border: 1px solid black; width: 100%; height: 15px; margin-left: 5px;"></div> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 5px;"> <input type="checkbox"/> <div style="border: 1px solid black; width: 100%; height: 15px; margin-left: 5px;"></div> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 5px;"> <input type="checkbox"/> <div style="border: 1px solid black; width: 100%; height: 15px; margin-left: 5px;"></div> </div> <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 5px;"> <input type="checkbox"/> <div style="border: 1px solid black; width: 100%; height: 15px; margin-left: 5px;"></div> </div>
	<p>Name of Attached Document Listing Required Information</p> <div style="display: flex; justify-content: space-between; align-items: center;"> <div style="width: 60%;"></div> <div style="border: 1px solid black; width: 100%; height: 15px; margin-left: 5px;"></div> </div>

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
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:	NORTHERN TEL COOP
Signature of Authorized Officer:	CERTIFIED ONLINE Date 10/14/2013
Printed name of Authorized Officer:	Rick Neva
Title or position of Authorized Officer:	Chief Financial Officer
Telephone number of Authorized Officer:	(406) 937-2114
Study Area Code of Reporting Carrier:	482248 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. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<035>	Contact Telephone Number - Number of person identified in data line <030>	(406) 937-2114
<039>	Contact Email Address - Email Address of person identified in data line <030>	msheard@northerntel.net

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

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
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: _____
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.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
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: _____
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.	

Attachments

Response Line 510
Northern Telephone Cooperative, Inc.
Study Area 482248

Pursuant to 47 C.F.R. § 54.313(a)(5) and or 47 C.F.R. § 54.422(b)(3) Northern Telephone Cooperative, Inc. ("Northern") is in compliance with appropriate FCC Service Quality Standards and Consumer Protection Rules. Northern is proud of its service quality record and works very hard every day to maintain the high level of service quality for which we are known, and to which our customers have become accustomed. We are a cooperative, and as our motto says, we are "Owned by those we Serve."

We have engineered and maintain our network and our operations to provide robust, reliable, high quality services to our customers. Furthermore, we have sophisticated monitoring systems that immediately alert our technicians of any changes in power, cooling, network or other conditions that may affect service. Although serious problems are very rare, our technicians are on standby twenty-four hours a day, seven days a week, three hundred sixty-five days a years and immediately respond as necessary to any problems that arise and resolve them before customer service is affected.

Northern also works diligently to protect its customer's identities and any confidential information that may be in the company's possession. Northern provides CPNI training for its employees as well as the members of Northern's Board of Directors. Northern also conducts subscriber outreach regarding CPNI by periodically placing CPNI explanation messages into subscriber's bills and has signage in its business office regarding CPNI rules and regulations. Northern's CPNI policies are incorporated into the company's policies and all company employees are required to sign and acknowledge that they have received and understand the CPNI policies, and will follow them.

Response to Line 610
Northern Telephone Cooperative, Inc.
Study Area 482248

Functionality in Emergency Situations:

Pursuant to 47 C.F.R. § 54.313(a)(6) and 47 C.F.R § 54.22(b)(4) as set forth in 47 C.F.R. § 54.202(a)(2) Northern Telephone Cooperative, Inc. ("Northern") meets the requirements to remain functional in emergency situations and has the following capabilities; Back-up power is provided to Northern's central by use of a fixed generator and batteries that provide it with 24+ hours of emergency power. In addition, Northern's field electronics have 12+ hours of back-up power by use of fixed/mobile generators and batteries. Northern also has self-healing technologies deployed in its core fiber optic network that is a self-healing and will automatically reroute traffic should a fiber cut occur. Lastly, Northern is prepared and capable of managing traffic spikes resulting from emergency situations.

Response to Line 920
Northern Telephone Cooperative, Inc.
Study Area 482248

The purpose of this report is to provide documentation demonstrating the many ways in which Northern Telephone Cooperative, Inc. (Northern) has worked to develop an effective exchange of information with the Blackfeet Tribe with the common goal of maintaining the deployment and improvement of communications services across the portion of the Blackfeet Reservation that is in Northern's service area. The following map shows the location of the Blackfeet Reservation.



Northern serves approximately eleven hundred (1,100) customers, all of which have access to broadband over either fiber or DSL today. Northern's customers are scattered across thirty-one hundred (3,100) rugged, sparsely populated square miles in north central Montana along the US/Canadian border. Northern's service area includes the northeastern-most portion of the Blackfeet Reservation. The portion of the Blackfeet Reservation that is in Northern's service area is comprised of very sparsely populated farming and range lands, much of which contain no inhabitants.

While the entire Blackfeet Reservation encompasses approximately two thousand three hundred forty-four (2,344) square miles, the portion of the reservation that is inside Northern's service

area is approximately seven hundred fifty-seven (757) square miles. Please refer to the map attached to this narrative.

Of the reservation's total population of approximately 10,000 people, less than three hundred (300) are located in Northern's service area. **There are no towns or tribal anchor institutions in the portion of the reservation served by Northern.**

As is the case throughout Northern's service area, all of its customers on the Blackfeet Reservation have enjoyed access to broadband via DSL for a number of years over Northern's legacy copper network. Although this network has worked well for voice services, and can more than adequately meet the demands for lower bandwidth-intensive Internet services, it is beginning to show its age and doesn't work well for high-bandwidth services, especially in light of the long copper loops that exist on the reservation.

Optical fiber on the other hand, uses lasers to carry high-bandwidth signals over enormous distances and is the only technology suitable to meet Northern customers' future bandwidth needs. A technology, known as "fiber-to-the-home" or FTTH, will enable Northern to use optical fiber to provide a very large, and scalable, broadband "pipe" to all of its customers, including those on the Blackfeet Reservation.

Northern's goal is to serve **all** of its customers via FTTH within the next 10 years. Fiber has already been extended to nearly 50 "hubs" strategically located across Northern's service area, including those located on the Blackfeet reservation. Northern's construction crew is diligently working to plow in new fiber lines from each customer location to one of these fiber hubs.

Northern has served customers on the Blackfeet Reservation for decades and some of Northern's first FTTH customers were located on the reservation. In spite of limited, and increasingly uncertain financial resources, and the short construction season in northern Montana, Northern's FTTH project is still expected to be completed well within the next 10 years, both on the reservation and off.

Northern has always endeavored to maintain, and will continue to maintain a tradition of meaningful engagement with the Blackfeet Tribal government. We have worked closely with the Blackfeet Tribal Business Council and share the understanding of the need to deploy infrastructure that can meet customer needs not only now, but into the future as well. The Tribal Business Council unanimously passed a resolution in support of Northern's telecommunications infrastructure projects on the reservation (please see the attached resolution).

Northern is aware of and sensitive to the unique challenges of providing service across tribal lands. Accordingly we employ the services of a company called Compton Signatures (see: <http://www.compton signatures.com/>). Compton Signatures (Compton), which is owned by Patricia Compton, a member of the Blackfeet Tribe, is a "Certified Indian Business" that is located in Browning, Montana, in the heart of the Blackfeet Indian Reservation.

Compton has a professional staff with extensive knowledge and experience in tribal land trust and related issues. They use their knowledge and experience to help bridge any cultural

differences with a blend of integrity and communication. They serve as a valuable liaison to the Blackfeet Tribe creating a cohesive bond to assist Northern in determining the criteria needed to complete its projects consistent with Blackfeet culture and in compliance with Blackfeet Tribal regulations.

Some of the many ways Compton Signatures assists Northern Telephone include: helping to ensure compliance with Tribal rights-of-way processes; land use permitting; facilities siting; environmental and cultural review processes; and, Tribal business and licensing requirements. Northern maintains a business license with the Blackfeet Tribe (a copy of Northern's 2014 license is attached) and complies with the Blackfeet Tribal Employment Rights Office (TERO) requirements.

Northern's goal is to serve all of its customers, both on and off the reservation with state-of-the-art FTTH technology. Northern recognizes the cultural sensitivities and other unique aspects associated with building and maintaining telecommunications infrastructure and providing services on Tribal lands. Northern will endeavor to continue to develop and maintain an effective exchange of information with the Blackfeet Tribal government and with the Blackfeet people in general.



-  Blackfoot Reservation
-  NTC Serving Area
-  NTC Area Serving the Blackfoot Reservation

Area of NTC serving the Blackfoot Reservation
 Ethridge Exchange: 16.60 sq miles 10,820.17 acres
 North Cut Bank Exchange: 740.89 sq miles 474,171.69 acres
 Total: 757.49 sq miles 484,991.86 acres

DATE	BY/REVISED		
5/8/13	Shelby Blackfoot Servng	JRB	

NORTHERN TELEPHONE EXCHANGES
BLACKFOOT RESERVATION LANDS
SERVED BY NTC

NORTHERN TELEPHONE COOP., INC.
SUNBURST, MONTANA

Detail Map

MERCURY and ASSOCIATES		321 11th Street	BOZEMAN, MONTANA
Proj. No:	BAS	Date:	OCT '02
Proj. Name:	WICALL_RESERVATION LANDS.DWG		Scale:
			NTS

Nov 5 1996

BLACKFEET NATION

P.O. BOX 850
BROWNING, MONTANA 59417
(406) 338-7179
FAX 338-7530

EXECUTIVE COMMITTEE

EARL OLD PERSON, CHAIRMAN
BERNARD ST. GODDARD, VICE-CHAIRMAN
ROLAND KENNERLY, SECRETARY
ELAINE GUARDIPEE, TREASURER

BLACKFEET TRIBAL BUSINESS COUNCIL

EARL OLD PERSON
BERNARD ST. GODDARD
ROLAND KENNERLY
MARLENE BEAR-WALTER
TED WILLIAMSON
ARCHIE ST. GODDARD
JIMMY ST. GODDARD
GABE GRANT
CARL KIPP

RESOLUTION

NUMBER: 30-97

- WHEREAS, The Blackfeet Tribal Business Council is the duly constituted governing body within the exterior boundaries of the Blackfeet Indian Reservation; and
- WHEREAS, The Blackfeet Tribal Business Council has been organized to represent, develop, protect and advance the views, interests, education and resources of the members of the Blackfeet Indian Reservation; and
- WHEREAS, Pursuant to Article VI, Powers of the Council, Section 1(c), of the Blackfeet Constitution and By Laws of the Blackfeet Tribe the Blackfeet Tribal Business Council is vested with the power to prevent the sale, disposition, lease or encumbrance of tribal lands, interests in lands or other tribal assets, without the consent of the tribe; and
- WHEREAS, Pursuant to Article VII, Land, Section 1, of the Blackfeet Constitution and By Laws of the Blackfeet Tribe the Blackfeet Tribal Business Council is vested with the power to recognize under existing laws such lands may be condemned for public purposes, such as roads, public buildings, or other public improvements, upon payment of adequate compensation, by any agency of the State of Montana or of the Federal Government, or by the tribe itself; and
- WHEREAS, Pursuant to 5. Corporate Powers, of the Corporate Charter of the Blackfeet Tribe of the Blackfeet Indian Reservation Montana, (j) To exercise such further incidental powers, not inconsistent with law, as may be necessary to the conduct of corporate business; and
- WHEREAS, Northern Telephone Cooperative, Inc., is requesting to extend its telephone service lines to individuals residing on the Blackfeet Reservation, so as to provide telephone service to consumers requesting this service; and

WHEREAS, The Blackfeet Tribal Business Council has been organized to improve the living standard of the people of the Blackfeet Indian Reservation; and

WHEREAS, Northern Telephone Cooperative is requesting this Comprehensive service line permit to build, construct and maintain telephone service line systems over, across and upon Blackfeet Tribal land so as to provide telephone service to inhabitants thereof, with payment waived; and

THEREFORE BE IT RESOLVED, That permission is hereby granted to Northern Telephone Cooperative, Inc., to survey, place, construct, operate, maintain, repair, relocate or replace a telephone service line system including all structures necessary or advisable for the construction, operation and maintenance of said lines over and across Tribal lands, with payment waived; and

BE IT FURTHER RESOLVED, That the Superintendent of the Bureau Of Indian Affairs at the Blackfeet Agency is hereby instructed to approve this comprehensive telephone service line permit granted to Northern Telephone Cooperative, Inc., of Sunburst, Montana on land owned by the Blackfeet Tribe, subject of application and approval of the Bureau of Indian Affairs under the terms and provisions of the Act of February 5, 1948 (62 Stat. 17-18), and Departmental Regulations 25 CFR 169; and

BE IT FURTHER RESOLVED, That the Superintendent for the Bureau of Indian Affairs, Blackfeet Agency, is instructed to execute such documents as may be necessary to complete the granting of this comprehensive telephone service line to Northern Telephone Cooperative, Inc.; and

BE IT FINALLY RESOLVED, That the Chairman and the Secretary of the Blackfeet Tribal Business Council, acting in behalf of the Blackfeet Tribe, are hereby authorized and instructed to sign such documents as may be necessary to finalize said grant of a comprehensive telephone service line permit to Northern Telephone Cooperative, Inc.

BLACKFEET TRIBAL RESOLUTION NUMBER: 30-97
PAGE 3

ATTEST:

THE BLACKFEET TRIBE OF THE
BLACKFEET INDIAN RESERVATION


ROLAND KENNERLY, Secretary


EARL OLD PERSON, Chairman

CERTIFICATION

I hereby certify that the foregoing Resolution was adopted by the Land Committee of the Blackfeet Tribe during a meeting held on 03-19-96 and approved by the Blackfeet Tribal Business Council during a SPECIAL Session assembled for Business on JUNE 12, 1996 with SEVEN (7) Members present to constitute a quorum and by a vote of SEVEN (7) Members For and ZERO (0) Members Opposed.

(CORPORATE SEAL)


ROLAND KENNERLY, SECRETARY
BLACKFEET TRIBAL BUSINESS
COUNCIL



THE BLACKFEET TRIBE
CERTIFIES THAT

Northern Telephone Cooperative Inc.

BUSINESS LICENSE #:

181

Steen Alme

P.O. Box 190

Sunburst, MT. 59482

Having made application for a business activity and adhered to all laws and procedures required by the Blackfeet Tribe, said business is hereby authorized to conduct or operate a business activity within the boundaries of the Blackfeet Indian Reservation.

This permit must be displayed in full view of public while conducting or operating a business activity.

Type of Activity:

Telephone Cooperative



This Permit Expires On:

September 30, 2014



Response to Line 1210
Northern Telephone Cooperative, Inc.
Study Area 482248

Northern Telephone's subscribers on a limited income may be eligible to participate in Lifeline. Subscribers must prove their eligibility to enroll and the program is limited to one benefit per household. Northern Telephone's Lifeline participants receive a discount on the price of Northern's flat-rated (unlimited) local Residential service. These discounts are currently set at \$9.25 per month.

Toll calls made by Lifeline participants are priced at the standard rates offered by the various toll carriers. For example, customers that use Northern Telephone as their toll carrier are charged \$.10/minute for interstate and intrastate toll calls. Lifeline customers may subscribe to Northern's optional Toll Denial service at no monthly cost.

To qualify for Lifeline, subscribers must either have an income that is at or below 135% of the Federal Poverty Guidelines, or participate in any of the following programs:

- *Supplemental Nutrition Assistance Program (SNAP)
- *Medicaid
- *Temporary Assistance for Needy Families (TANF)
- *National School Lunch Program's free lunch program
- *Federal Public Housing Assistance or Section 8
- *Low-income Home Energy Assistance Program (LIHEAP)
- *Supplemental Security Income (SSI)

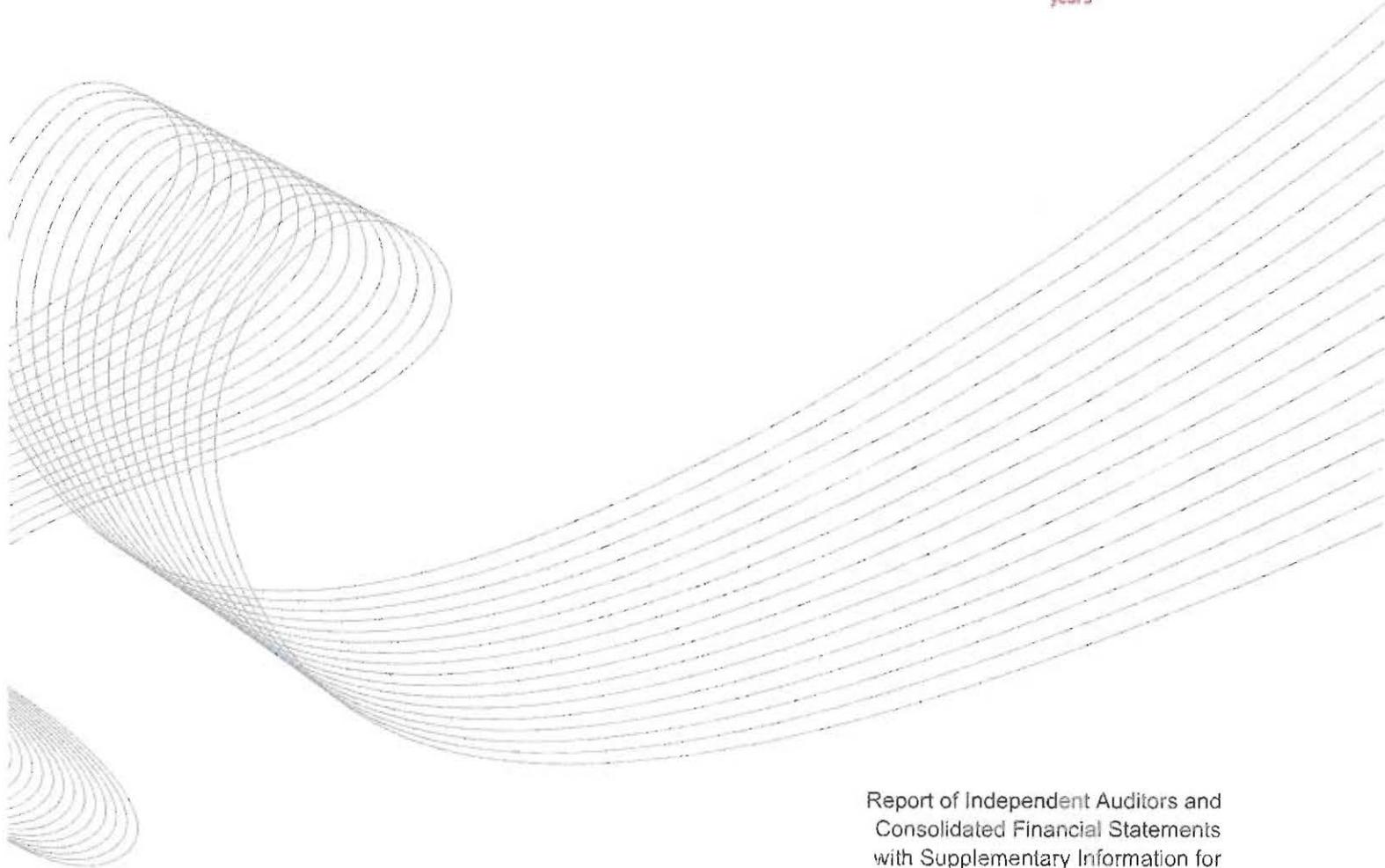
Additional benefits, including Tribal Lifeline and Tribal Lands Link Up may be available to qualifying subscribers that reside on the portion of the Blackfeet Reservation that is served by Northern Telephone. Qualification is based on income or participation in one of the following programs:

- *Head Start (only if eligible through income)
- *Bureau of Indian Affairs (BIA) General Assistance
- *Tribally administered Temporary Assistance for Needy Families (TANF)
- *Food Distribution Program on Indian Reservations (FDPIR)

Tribal Lifeline provides a monthly discount of up to \$34.25 off of the cost of Northern's local Residential service. This discount includes the standard \$9.25 Lifeline benefit plus up to an additional \$25.

Tribal Lands Link-Up enables eligible new customers to receive a discount of up to \$100 off the customary charges for commencing phone service with Northern Telephone.

Northern Telephone's Low Income outreach includes: mailers (at least once per year); posters placed in strategic public places; newspaper notices and Northern's web site.



100 years THAT COUNTS

Report of Independent Auditors and
Consolidated Financial Statements
with Supplementary Information for

Northern Telephone
Cooperative, Inc.

December 31, 2012 and 2011

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

CONTENTS

	PAGE
REPORT OF INDEPENDENT AUDITORS	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated balance sheets	3-4
Consolidated statements of income	5
Consolidated statements of comprehensive income	6
Consolidated statements of members' equity	7
Consolidated statements of cash flows	8-9
Notes to consolidated financial statements	10-24
SUPPLEMENTARY INFORMATION	
Report of independent auditors on supplementary information	25
Consolidating balance sheet detail	26-27
Consolidating statement of income detail	28

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Northern Telephone Cooperative, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Northern Telephone Cooperative, Inc. and subsidiary, which comprise of the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

REPORT OF INDEPENDENT AUDITORS (continued)

Auditor's Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northern Telephone Cooperative, Inc. and subsidiary as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams WP

Spokane, Washington
January 23, 2013

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31,	
	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 562,154	\$ 1,056,323
Investment in certificates of deposit	194,000	295,000
Telecommunications accounts receivable	148,046	137,586
Settlements and access accounts receivable	299,665	294,892
Other accounts receivable	11,970	5,913
Income tax refund receivable	18,711	-
Notes receivable, current portion	11,257	10,677
Material and supplies	672,371	550,383
Other current assets	14,094	9,964
	<u>1,932,268</u>	<u>2,360,738</u>
NONCURRENT ASSETS		
Investment in affiliates	824,360	805,846
Investment in nonaffiliates	661,222	659,179
Notes receivable, long-term portion	98,027	109,284
Investment in certificates of deposit	594,000	493,000
	<u>2,177,609</u>	<u>2,067,309</u>
PROPERTY, PLANT, AND EQUIPMENT		
Regulated telecommunications plant in service	25,728,218	25,211,859
Regulated telecommunications plant under construction	1,156,700	867,766
Nonregulated telecommunications plant in service	667,181	662,024
	<u>27,552,099</u>	<u>26,741,649</u>
Less accumulated depreciation	19,204,614	19,152,049
	<u>8,347,485</u>	<u>7,589,600</u>
	<u>\$ 12,457,362</u>	<u>\$ 12,017,647</u>

**NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED BALANCE SHEETS**

LIABILITIES AND MEMBERS' EQUITY

	December 31,	
	2012	2011
CURRENT LIABILITIES		
Accounts payable	\$ 55,473	\$ 77,999
Advance billing	19,940	18,298
Income taxes payable	-	7,576
Other accrued taxes	81,520	71,637
Other accrued liabilities	136,905	143,919
Total current liabilities	293,838	319,429
OTHER LIABILITIES AND DEFERRED CREDITS		
Other deferred credits	257,174	363,231
Deferred income taxes	151,238	142,833
	408,412	506,064
MEMBERS' EQUITY		
Memberships and other capital	8,125	8,125
Accumulated other comprehensive income	251,106	83,250
Retained margins	11,495,881	11,100,779
	11,755,112	11,192,154
	\$ 12,457,362	\$ 12,017,647

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,	
	<u>2012</u>	<u>2011</u>
Operating revenues		
Wireline	\$ 3,298,255	\$ 3,601,783
Internet	436,276	419,089
Fiber lease	210,070	191,798
Miscellaneous	<u>164,357</u>	<u>130,054</u>
	<u>4,108,958</u>	<u>4,342,724</u>
Operating expenses		
Plant specific operations	623,071	583,953
Plant nonspecific operations	189,161	205,384
Depreciation	1,171,365	1,163,221
Customer operations	242,151	219,902
Corporate operations	685,407	681,507
Other operating taxes	127,663	109,163
Nonregulated	<u>428,861</u>	<u>384,058</u>
	<u>3,467,679</u>	<u>3,347,188</u>
Operating margins	<u>641,279</u>	<u>995,536</u>
Nonoperating income (expense)		
Interest and dividend income	66,291	48,153
Other nonoperating income (expense)	(5,922)	12,174
Income from affiliate	<u>18,514</u>	<u>16,249</u>
	<u>78,883</u>	<u>76,576</u>
Margins before income taxes	720,162	1,072,112
Income tax expense	<u>(109,239)</u>	<u>(98,392)</u>
Net margins	<u>\$ 610,923</u>	<u>\$ 973,720</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,	
	2012	2011
Net margins	\$ 610,923	\$ 973,720
Other comprehensive income		
Postretirement healthcare benefits		
Net gain (loss) arising during the period	168,560	(22,886)
Amortization included in net periodic benefit cost		
Prior service cost	(1,170)	(1,170)
Net transition obligation	-	3,284
Net gain	466	(4,511)
	(704)	(2,397)
Other comprehensive income (loss)	167,856	(25,283)
Comprehensive income	\$ 778,779	\$ 948,437

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

	Memberships and Other Capital	Retained Margins Unallocated	Retained Margins Allocated	Accumulated Other Comprehensive Income	Total Equity
Balance, December 31, 2010	\$ 8,125	\$ 5,459,557	\$ 4,978,617	\$ 108,533	\$ 10,554,832
2011 net margins	-	973,720	-	-	973,720
Excise tax patronage capital	-	-	2,019	-	2,019
Patronage capital retired	-	10,956	(324,090)	-	(313,134)
Allocate 2010 patronage	-	(479,474)	479,474	-	-
Amortization of prior post- retirement benefit adjustment	-	-	-	(2,397)	(2,397)
Postretirement benefit adjustment	-	-	-	(22,886)	(22,886)
Balance, December 31, 2011	8,125	5,964,759	5,136,020	83,250	11,192,154
2012 net margins	-	610,923	-	-	610,923
Excise tax patronage capital	-	-	3,294	-	3,294
Patronage capital retired	-	4,822	(223,937)	-	(219,115)
Allocate 2011 patronage	-	(761,908)	761,908	-	-
Amortization of prior post- retirement benefit adjustment	-	-	-	(704)	(704)
Postretirement benefit adjustment	-	-	-	168,560	168,560
Balance, December 31, 2012	<u>\$ 8,125</u>	<u>\$ 5,818,596</u>	<u>\$ 5,677,285</u>	<u>\$ 251,106</u>	<u>\$ 11,755,112</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margins	\$ 610,923	\$ 973,720
Adjustments to reconcile net margins to net cash from operating activities		
Depreciation	1,171,365	1,163,221
Income from affiliate	(18,514)	(16,249)
Noncash patronage allocations	(3,658)	(4,048)
Deferred income taxes	8,405	19,422
Gain on sale of assets	-	(24,253)
Changes in assets and liabilities		
Receivables	(21,290)	10,391
Income taxes	(26,287)	(50,505)
Material and supplies	(121,988)	34,745
Other current assets	(4,130)	71
Accounts payable and accrued expenses	(19,657)	62,563
Advance billings and customer deposits	1,642	377
Other liabilities	61,799	13,653
Net cash from operating activities	<u>1,638,610</u>	<u>2,183,108</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	(1,917,673)	(1,963,646)
Acquisition of nonregulated property, plant, and equipment	(5,157)	(37,253)
Proceeds from sale of property, plant, and equipment	(6,420)	35,253
Purchase of investments	(295,000)	(199,000)
Payments on loans	10,677	9,799
Proceeds from sale of investments	296,615	444,876
Net cash from investing activities	<u>(1,916,958)</u>	<u>(1,709,971)</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Patronage capital retired	\$ (219,115)	\$ (313,134)
Excise tax refund	3,294	2,019
Net cash from financing activities	<u>(215,821)</u>	<u>(311,115)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(494,169)	162,022
CASH AND CASH EQUIVALENTS at beginning of year	<u>1,056,323</u>	<u>894,301</u>
CASH AND CASH EQUIVALENTS at end of year	<u>\$ 562,154</u>	<u>\$ 1,056,323</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for		
Income taxes	<u>\$ 127,121</u>	<u>\$ 136,352</u>
NONCASH FINANCING ACTIVITIES		
Postretirement benefit obligation	<u>\$ 167,856</u>	<u>\$ (25,283)</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Description of entity - Northern Telephone Cooperative, Inc. (Cooperative) and its subsidiary are located in northern Montana and provide telecommunication services to approximately 1,500 subscribers. Telecommunication services include local, long distance, Internet, leased fiber optic lines, and other telecommunication services.

Principles of consolidation - The Cooperative, the parent corporation, owns 100% of Northern Communications, Inc. (Norcom). The subsidiary is included in the accompanying consolidated financial statements. All material intercompany balances and transactions have been eliminated in consolidation.

Accounting policies - The financial statements of the Cooperative have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting prescribed by the Federal Communications Commission (FCC).

Accounting estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include depreciation expense and interstate access revenue settlements.

Cash and cash equivalents - For purposes of the statement of cash flows, the Cooperative considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents.

Concentration of credit risk - At various times throughout the year, the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of \$250,000. The Cooperative minimizes this risk by utilizing numerous financial institutions for deposits of cash funds.

Investments in certificates of deposit - These investments consist of certificates of deposit purchased at face value with maturities between one and five years. There is no material difference between the cost of these investments and their fair market value.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Valuation of accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Cooperative reviews the collectibility of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 30 days after issuance of the subscriber bill. Receivables from other exchange carriers are typically outstanding 30 to 60 days before payment is received. Accounts are considered delinquent after the bills have been outstanding for greater than 90 days. Delinquent accounts are charged to uncollectible expense when it is determined the accounts will not be collected. Due to the immaterial nature of the Cooperative's uncollectible accounts, an allowance for uncollectible accounts is not deemed necessary and the result of this method does not materially differ from accounting principles generally accepted in the United States of America.

Material and supplies – Material and supplies are stated at the lower of average cost (first-in, first-out) method or replacement market.

Investments in affiliates – The Cooperative accounts for its investments in limited liability companies by the equity method of accounting under which the Cooperative's share of the net income of the affiliates is recognized as income in the Cooperative's income statement and added or subtracted to the respective investment accounts. Under the equity method of accounts, dividends or returns of capital reduce the investment balance.

Investment in nonaffiliates – Investments consist primarily of assigned patronage from other cooperatives accounted for on the equity method and nonmarketable stock of telephone industry corporations stated at cost.

Property, plant, and equipment – Property, plant, and equipment are stated at cost. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of maintenance and repairs is charged to operating expenses.

Property, plant, and equipment is depreciated using straight-line methods over their estimated useful lives. In accordance with composite group depreciation methodology, when a portion of the Cooperative's depreciable property, plant, and equipment is retired in the ordinary course of business, the gross book value is charged to accumulated depreciation.

Income taxes – The Cooperative is taxable for federal and exempt for state income tax purposes. As a taxable cooperative, taxable income consists of margins earned from nonpatronage sources. Margins earned from patronage are not taxable to the extent margins are allocated to patrons in the form of capital credits. Norcom is a taxable entity for federal and state income tax purposes.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Income taxes (continued) – Deferred taxes are provided on a liability method whereby deferred tax liabilities are recognized for taxable temporary differences, and deferred tax assets are recognized for deductible temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets relate primarily to book depreciation in excess of tax. Deferred tax liabilities relate primarily to differences in investment basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not some portion or all of the deferred tax will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Cooperative records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2012 and 2011, the Cooperative had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively. The Cooperative is no longer subject to U.S. federal or state and local tax examinations by tax authorities for years before 2009.

Members' equity – The Cooperative assigns earned patronage margin annually to its patrons based on the bylaws of the Cooperative and related Board policies. Total patronage margins are computed on a tax basis and consist of Cooperative patronage revenues, reduced by related operating and interest expenses. The allocation is made to individual patrons based on the amount of Cooperative services billed to each patron for that year. The assignment to patron accounts is made in the subsequent year. Permanent equity is not assigned to members and consists primarily of nonpatronage margins.

A portion of the total assigned patronage capital is distributed to members as a general retirement each year. The total amount returned is determined by the Board of Directors and the vintage year from which the retirements will be applied. The Cooperative's policy is to retire the earliest unretired year first. All assigned margins prior to 2003 have been retired. Additionally, the Board of Directors approves early retirement requests from the estates of deceased members and defunct businesses. These retirements are not discounted.

Revenue recognition – Monthly service fees derived from local wireline and Internet are billed one month in advance, but recognized in the month that service is provided. Fiber optic line leases are billed in arrears; however, the revenue is recognized in the month the service is provided.

Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls) and long distance are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue recognition (continued) – Interstate access revenues also include settlements based on the Cooperative's participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate access cost studies. These studies are prepared subsequent to year end, and therefore, the related revenues are recorded on the books based on an estimate of NECA pool earnings and on other assumptions related to information utilized in the preparation of the Cooperative's cost study. The studies are subject to a 24-month pool earnings adjustment period and review of the study by NECA. There was an insignificant revenue impact in 2012 and 2011 for adjustments related to prior year differences between the recorded estimates and actual revenues. Management does not anticipate that 2012 and 2011 recorded revenues will require significant adjustments in future years.

Internet revenues are derived from the provision of customer access to the public Internet, excluding revenues attributable to digital subscriber line (DSL) transport (line costs between the customer and the Cooperative's equipment that routes Internet traffic). Interstate access revenues include settlements from NECA that compensate the Cooperative for the DSL transport related to the provision of Internet services.

The Cooperative's wireline universal service support revenue is intended to compensate the Cooperative for the high cost of providing rural telephone service. Universal service support revenue includes funds received for high cost loop support, interstate common line support, local switching support, Connect America Fund, and other miscellaneous programs. High cost loop support and interstate common line support are based on the Cooperative's current relative level of operating expense and plant investment. Support from the Connect America Fund is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF base. The CAF base will be reduced 5% each year in determining CAF support.

In October 2011, the FCC issued an order reforming Intercarrier Compensation and Universal Service Funding (USF) mechanisms and issued a Further Notice of Proposed Rulemaking (FNPRM) on long-term USF reform, transition timing, and implementation. The majority of the impacts of these regulations began on July 1, 2012.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue recognition (continued) – Major provisions of the order and FNPRM include:

- Limitations on the amount of support received per line
- Limitations on capital expenditures and operating expenses recoverable from the USF
- Benchmarks for minimum local rates charged to end users by recipients of support
- The establishment of the Access Recovery Charge billed to end users
- The phase out of local switching support and the establishment of the Connect America Fund, a new funding mechanism for investment and expenses related to the switching function
- The structured reduction of carrier access rates charged by the Cooperative to other carriers using its network to complete long distance calls

Management is monitoring the impacts of the reform on an on-going basis.

Regulation – The Cooperative's services are subject to rate regulation as follows:

- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal Service revenues are administered by Universal Service Administration Company (USAC), based on rules established by the FCC.

Other sources of revenues are not rate regulated, and include local telephone, intrastate access, Internet, long distance, equipment sales, directory, rents, fiber lease, and other incidental services.

Pending and future regulatory actions may have a significant impact on the Cooperative's future operations and financial condition.

Nonregulated expenses and nonregulated plant are directly attributable to nonregulated services such as Internet, equipment sales, directory, rents, and other incidental services.

All other operating expenses and telecommunications plant are related primarily to wireline revenues. However, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlement, universal service support, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed in accordance with Part 64 of the FCC rules in order to ensure regulated revenues are based on costs of providing regulated services.

NORTHERN TELEPHONE COOPERATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

Concentration of market risk - In 2012 and 2011, the Cooperative received \$1,348,713 and \$1,624,020, or 33% and 37%, respectively, of its revenue from the Federal Universal Service Fund.

Advertising expenses - The Cooperative expenses advertising costs as incurred. Advertising expenses during the years ended December 31, 2012 and 2011, were \$28,844 and \$37,600, respectively.

Taxes imposed by governmental authorities - The Cooperative is subject to taxes assessed by various governmental authorities on many different types of revenue transactions with its customers. These specific taxes are charged to and collected from the Cooperative's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Subsequent events - Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Cooperative recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Cooperative's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Cooperative has evaluated subsequent events through January 23, 2013, which is the date the financial statements are available to be issued.

Note 2 - Investments in Affiliates

Investments in affiliated organizations consist of iConnect Montana, LLC (iConnect) and Montana Independent Telecommunications Systems, LLC (MITS). iConnect was formed to build fiber connection hubs throughout the state of Montana. Its primary function is to facilitate collocation between telecommunications providers. MITS is a professional service organization formed to support Montana's rural telecommunications industry.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 - Investments in Affiliates (continued)

The carrying value of the equity method investments are accounted for as follows:

	<u>iConnect</u>	<u>MTS</u>	<u>Total</u>
Cash investment from previous years	\$ 700,271	\$ 14,725	\$ 714,996
Prior years' accumulated net income	39,594	35,007	74,601
2011 net income	<u>-</u>	<u>16,249</u>	<u>16,249</u>
Investment at December 31, 2011	739,865	65,981	805,846
2012 net income (loss)	<u>30,538</u>	<u>(12,024)</u>	<u>18,514</u>
Investment at December 31, 2012	<u>\$ 770,403</u>	<u>\$ 53,957</u>	<u>\$ 824,360</u>

The assets, liabilities, and operations of the Cooperative's investment in iConnect is as follows:

	<u>2012</u>	<u>2011</u>
Assets	<u>\$ 8,380,946</u>	<u>\$ 8,311,063</u>
Liabilities	<u>\$ 3,876,970</u>	<u>\$ 3,977,473</u>
Equity	<u>\$ 4,503,976</u>	<u>\$ 4,333,590</u>
Operating revenues	\$ 3,104,040	\$ 2,581,381
Operating expenses	<u>2,888,790</u>	<u>2,571,430</u>
Net income	<u>\$ 215,250</u>	<u>\$ 9,951</u>

iConnect Montana, LLC has borrowed funds from First Interstate Bank. Conditional to the borrowing, iConnect was required to obtain loan guarantees from its investors. The Cooperative has guaranteed 15% of iConnect's debt. The balance of the outstanding loan on iConnect's books at December 31, 2012, was \$2,954,467. In the event of default by iConnect on its outstanding debt, the Cooperative would be liable in the amount of \$443,170.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 - Investments in Nonaffiliates

Investments in associated organizations are carried at the lesser of cost or fair market value and consist of the following:

	<u>2012</u>	<u>2011</u>
Equity in other cooperatives	\$ 55,666	\$ 53,623
Vision Net, Inc.	601,484	601,484
Other	<u>4,072</u>	<u>4,072</u>
	<u>\$ 661,222</u>	<u>\$ 659,179</u>

Vision Net, Inc. provides advanced voice, data, and video services and is owned by Montana's independent telephone companies allowing them to interconnect a digital fiber network serving urban and rural communities throughout the state. The investment is maintained on the cost method of accounting and has no readily determinable market value. No events or significant changes have been identified that would have an adverse effect on the carrying values.

Note 4 - Notes Receivable

Notes receivable consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
iConnect Montana, LLC	\$ 109,284	\$ 119,961
Less current portion	<u>11,257</u>	<u>10,677</u>
	<u>\$ 98,027</u>	<u>\$ 109,284</u>

During 2006, Norcom loaned \$40,461 to iConnect for various construction projects to be completed as part of iConnect's general operations. The loan has a stated interest rate of 5% and is being repaid in monthly installments of \$429.

During 2008, Norcom loaned an additional \$120,000 to iConnect for various construction projects to be completed as part of iConnect's general operations. The loan has a stated interest rate of 5.5% and is being repaid in monthly installments of \$980.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 – Property, Plant, and Equipment

Telecommunications plant balances together with accumulated depreciation balances consist of the following at December 31:

	Depreciable Life	Plant Account	Accumulated Depreciation	2012 Net Balance	2011 Net Balance
Regulated					
General support assets	5 - 35 years	\$ 5,044,662	\$ 3,163,293	\$ 1,881,369	\$ 2,008,587
Central office assets	5 - 25 years	6,695,859	4,218,640	2,477,219	2,648,769
Cable assets	13 years	13,987,697	11,218,626	2,769,071	2,006,509
Plant under construction	n/a	1,156,700	-	1,156,700	867,766
		<u>26,884,918</u>	<u>18,600,559</u>	<u>8,284,359</u>	<u>7,531,631</u>
Nonregulated					
Cable assets	15 years	289,202	289,202	-	-
Central office assets	5 - 7 years	252,849	252,849	-	-
Other	2 - 10 years	125,130	62,004	63,126	57,969
		<u>667,181</u>	<u>604,055</u>	<u>63,126</u>	<u>57,969</u>
		<u>\$ 27,552,099</u>	<u>\$ 19,204,614</u>	<u>\$ 8,347,485</u>	<u>\$ 7,589,600</u>

Note 6 – Income Taxes

The provision for income taxes differs from the amount computed by applying the current statutory federal income tax rate to earnings before taxes due to the effects of state taxes (net of federal benefit), Cooperative patronage exclusions, nondeductible items, and nontaxable items. Additionally, due to the patronage exclusion, no deferred tax provision is recognized for the defined postretirement benefit plan amounts included in other comprehensive income (loss).

Components of provision for income tax benefit (expense):

	2012	2011
Current		
Federal	\$ (84,038)	\$ (64,767)
State	(16,796)	(14,203)
Deferred		
Federal and state	<u>(8,405)</u>	<u>(19,422)</u>
	<u>\$ (109,239)</u>	<u>\$ (98,392)</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 - Income Taxes (continued)

This income tax expense is allocated to income as follows:

	<u>2012</u>	<u>2011</u>
Operating	\$ (767)	\$ 4,788
Nonoperating	(6,548)	(5,967)
Nonregulated	<u>(101,924)</u>	<u>(97,213)</u>
	<u>\$ (109,239)</u>	<u>\$ (98,392)</u>

The components of the net deferred tax asset (liability) recorded in the accompanying consolidated balance sheets at December 31 are:

	<u>2012</u>	<u>2011</u>
Deferred tax assets (liabilities)		
Book investment carrying value greater than tax	\$ (180,724)	\$ (177,550)
Book depreciation greater than tax	<u>29,486</u>	<u>34,717</u>
Net deferred tax liability	<u>\$ (151,238)</u>	<u>\$ (142,833)</u>

Note 7 - Deferred Credits

Deferred credits consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Postretirement health care plan liability	\$ 242,029	\$ 361,818
Scholarship liability	<u>15,145</u>	<u>1,413</u>
	<u>\$ 257,174</u>	<u>\$ 363,231</u>

Note 8 - Retirement Plans

Defined benefit plans - The Cooperative participates in two multi-employer pension plans with the National Telephone Cooperative Association that cover substantially all of its employees and are described below.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Retirement Plans (continued)

Defined benefit plans (continued) – The risks of participating in multi-employer plans are different from single employer plans as follows: (1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers, and (3) if the Cooperative chooses to stop participating in a plan, the Cooperative may be required to pay a withdrawal liability.

The Cooperative’s participation in multi-employer plans is outlined in the table below. Unless otherwise noted, the information provided below is from the Plan’s most recent Form 5500 filing which covers the plan years 2011 and 2010. At the date the financial statements were issued, Form 5500 was not available for the year ending 2012.

Plan Name	Employer Identification Number/Plan Number	Pension Protection Act Zone Status		Employer Contributions		Company Contributions Greater than 5% of Total Plan Contributions	Funding Improvement/ Rehabilitation Plan in Place	Surcharges Imposed	Expiration Date of Collective-Bargaining Agreements	Minimum Contributions Required in the Future
		2011	2010	2012	2011					
Retirement & Security Program for Employees of the National Telecommunications Cooperative Association and Its Member Systems	52-0741336/333	At least 80% funded	At least 80% funded	\$ 131,528	\$ 116,315	No	No	Yes	N/A	No

Substantially all employees of the Cooperative participate in the Plan. Employees are eligible to receive an annuity or lump-sum payment at retirement based on an average of prior years’ compensation. The Cooperative makes quarterly contributions to the Plan based on each employee’s compensation.

Postretirement benefits – The Cooperative also sponsors a defined benefit postretirement health care plan (Plan) for retired employees who retire from the Cooperative prior to age 65. The Plan does not have any assets as future benefits will be paid by the Cooperative.

Obligations and funded status – The amount of benefit to be paid depends on a number of future events incorporated into a formula, including estimates of the average life of employees/survivors, years of service rendered, and future interest rates.

The accumulated benefit obligation represents the present value of all future benefits attributed to employee service earned through the measurement date and does not include changes in future compensation. For postretirement benefit plans, the benefit obligation is the accumulated benefit obligation.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Retirement Plans (continued)

Obligations and funded status (continued) – The following table summarizes the benefit obligation, fair value of Plan assets, and the funded status over the two-year period ended December 31, 2012:

	<u>2012</u>	<u>2011</u>
Accumulated benefit obligation at end of year	\$ (251,443)	\$ (381,786)
Fair value of Plan assets at end of year	<u>-</u>	<u>-</u>
Funded status	<u>\$ (251,443)</u>	<u>\$ (381,786)</u>

Amounts recognized in the balance sheets at December 31 consist of:

	<u>2012</u>	<u>2011</u>
Current liabilities	\$ 9,414	\$ 19,968
Noncurrent liabilities	<u>242,029</u>	<u>361,818</u>
Net amount recognized	<u>\$ 251,443</u>	<u>\$ 381,786</u>

The following amounts are not yet reflected in the net periodic benefit cost and are included in accumulated other comprehensive income (loss):

	<u>2012</u>	<u>2011</u>
Transition obligation	\$ -	\$ (3,284)
Prior service cost	1,170	2,340
Accumulated gain	<u>249,936</u>	<u>84,194</u>
Net amount recognized	<u>\$ 251,106</u>	<u>\$ 83,250</u>

The unrecognized gain is a result of the accumulated difference between the actuary's estimates based on actuarial principles and the Cooperative's actual experience with factors such as the length of employment and the discount rate for the Plan obligations. The increase in the unrecognized gain was the result in a change to the Cooperative health insurance plan.

The unrecognized prior service cost is a result of Plan amendments that increased employee benefits based on services provided in prior periods.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Retirement Plans (continued)

Obligations and funded status (continued) – The unrecognized transition obligation represents the difference between the accumulated benefit obligation and the fair value of Plan assets as of the date the Cooperative was required to implement Accounting Standard Codification (ASC) 715 (formerly FAS 106).

The estimated net gain and prior service cost that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are \$15,305 and \$1,170, respectively.

Other Plan information – The following table provides the net periodic benefit cost at December 31:

	<u>2012</u>	<u>2011</u>
Net periodic benefit cost	<u>\$ 40,651</u>	<u>\$ 32,413</u>

The net periodic benefit cost is the amount recognized in the financial statements as the cost of the Plan for the year. Components of the net periodic benefit cost are service cost, interest cost, actual return on Plan assets, amortization of unrecognized gains/losses, prior service cost, and initial obligations.

The Cooperative does not expect to contribute to its postretirement health care plan in 2012. The Cooperative paid \$3,138 and \$9,984 in benefits in 2012 and 2011, respectively.

Expected future benefit payments, which reflect expected future service, as appropriate, are as follows:

2013	\$ 9,414
2014	8,953
2015	12,500
2016	23,626
2017	42,117
Years 2018-2022	108,663

At December 31 the assumptions used to determine the benefit obligation are as follows:

	<u>2012</u>	<u>2011</u>
Discount rate	<u>5.25%</u>	<u>5.25%</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 - Retirement Plans (continued)

For measurement purposes for the year ended December 31, 2012, the per capita cost of health care benefits was assumed to be 10%, decreasing 0.5% per year to a level of 5.0%. A 1% increase to the premium inflation rate would increase the net periodic benefit cost to \$46,104 and the accrued benefit liability to \$270,897.

Note 9 - Operating Revenue

Wireline and miscellaneous revenues consist of the following:

	<u>2012</u>	<u>2011</u>
Wireline		
Customer	\$ 592,304	\$ 577,627
Intercarrier		
Interstate	680,084	558,580
Intrastate	677,154	841,556
Universal service support - federal	<u>1,348,713</u>	<u>1,624,020</u>
Total wireline revenues	<u>\$ 3,298,255</u>	<u>\$ 3,601,783</u>
Miscellaneous		
Equipment sales, net	\$ 9,520	\$ 9,104
Rent	74,940	53,917
Other	81,845	73,225
Uncollectible	<u>(1,948)</u>	<u>(6,192)</u>
Total miscellaneous revenues	<u>\$ 164,357</u>	<u>\$ 130,054</u>

Access revenues are classified above as follows:

- Customer revenues include end user charges such as the Subscriber Line Charge (SLC) and the Federal Universal Service Charge (FUSC), and Access Recovery Charge (ARC).
- Universal Service Support includes the High Cost Loop Support (HCLS), Local Switching Support (LSS), and Interstate Common Line Support (ICLS), and Connect America Fund (CAF).
- All access charge and settlement revenue, except as described above, are classified as intercarrier revenue.

NORTHERN TELEPHONE COOPERATIVE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 – Fiber Lease Revenues

The Cooperative enters into noncancellable leases for fiber. The leases are accounted for as operating leases and have contract terms between 10 and 20 years. The Cooperative will receive the following lease payments under these agreements:

2013	\$ 154,972
2014	154,972
2015	143,472
2016	123,472
2017	123,472

Note 11 – Related Party Transactions

During 2012 and 2011, the Cooperative and its subsidiary participated in various related party transactions. Vision Net is leasing fiber segments from Northern Telephone Cooperative, Inc. The Cooperative received lease and special access payments from Vision Net of \$255,288 in 2012 and \$354,004 in 2011. Norcom also utilizes the Vision Net network for transport. For the years ended December 31, 2012 and 2011, the Cooperative paid \$72,828 and \$84,407, respectively.

SUPPLEMENTARY INFORMATION

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

Board of Directors
Northern Telephone Cooperative, Inc.

We have audited the consolidated financial statements of Northern Telephone Cooperative, Inc. as of and for the year then ended December 31, 2012, and have issued our report thereon dated January 23, 2013, which contained an unmodified opinion on those financial statements and appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated balance sheet detail and consolidated statement of income detail is presented for purposes of additional analysis, rather than to present financial position, results of operations, and cash flows of the individual companies, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Spokane, Washington
January 23, 2013

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NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET DETAIL

	December 31, 2012			
	Northern Telephone Cooperative, Inc.	Northern Communications, Inc.	Eliminating Entries	Consolidated Balances
CURRENT ASSETS				
Cash and cash equivalents	\$ 267,089	\$ 295,065	\$ -	\$ 562,154
Investment in certificates of deposit	194,000	-	-	194,000
Telecommunications accounts receivable	108,667	39,379	-	148,046
Settlements and access accounts receivable	299,665	-	-	299,665
Other accounts receivable	11,970	-	-	11,970
Income tax refund receivable	10,864	7,847	-	18,711
Notes receivable, current portion	-	11,257	-	11,257
Accounts receivable, affiliate	7,550	-	(7,550)	-
Material and supplies	657,193	15,178	-	672,371
Other current assets	14,094	-	-	14,094
	<u>1,571,092</u>	<u>368,726</u>	<u>(7,550)</u>	<u>1,932,268</u>
NONCURRENT ASSETS				
Investment in affiliates	1,770,570	827,517	(1,773,727)	824,360
Investment in nonaffiliates	59,738	601,484	-	661,222
Notes receivable, long-term portion	-	98,027	-	98,027
Investment in certificates of deposit	594,000	-	-	594,000
	<u>2,424,308</u>	<u>1,527,028</u>	<u>(1,773,727)</u>	<u>2,177,609</u>
PROPERTY, PLANT, AND EQUIPMENT				
Regulated telecommunications plant in service	25,728,218	-	-	25,728,218
Regulated telecommunications plant under construction	1,156,700	-	-	1,156,700
Nonregulated telecommunications plant in service	86,281	580,900	-	667,181
	<u>26,971,199</u>	<u>580,900</u>	<u>-</u>	<u>27,552,099</u>
Less accumulated depreciation and amortization	18,623,714	580,900	-	19,204,614
	<u>8,347,485</u>	<u>-</u>	<u>-</u>	<u>8,347,485</u>
	<u>\$ 12,342,885</u>	<u>\$ 1,895,754</u>	<u>\$ (1,781,277)</u>	<u>\$ 12,457,362</u>

**NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING BALANCE SHEET DETAIL**

	December 31, 2012			
	Northern Telephone Cooperative, Inc.	Northern Communications, Inc.	Eliminating Entries	Consolidated Balances
CURRENT LIABILITIES				
Accounts payable, general	\$ 55,306	\$ 167	\$ -	\$ 55,473
Accounts payable, affiliate	-	7,550	(7,550)	-
Advance billing	18,495	1,445	-	19,940
Other accrued taxes	62,780	18,740	-	81,520
Other accrued liabilities	136,905	-	-	136,905
	<u>273,486</u>	<u>27,902</u>	<u>(7,550)</u>	<u>293,838</u>
OTHER LIABILITIES AND DEFERRED CREDITS				
Other deferred credits	257,174	-	-	257,174
Deferred income taxes	-	151,238	-	151,238
	<u>257,174</u>	<u>151,238</u>	<u>-</u>	<u>408,412</u>
MEMBERS' EQUITY				
Memberships and other capital	8,125	-	-	8,125
Capital stock	-	2,000	(2,000)	-
Additional paid-in capital	-	200,000	(200,000)	-
Accumulated other comprehensive income	251,106	-	-	251,106
Retained margins	11,552,994	1,514,614	(1,571,727)	11,495,881
	<u>11,812,225</u>	<u>1,716,614</u>	<u>(1,773,727)</u>	<u>11,755,112</u>
	<u>\$ 12,342,885</u>	<u>\$ 1,895,754</u>	<u>\$ (1,781,277)</u>	<u>\$ 12,457,362</u>

NORTHERN TELEPHONE COOPERATIVE, INC.
CONSOLIDATING STATEMENT OF INCOME DETAIL

	Year Ended December 31, 2012			
	Northern Telephone Cooperative, Inc.	Northern Communications, Inc.	Eliminating Entries	Consolidated Balances
Operating revenues				
Wireline	\$ 3,298,255	\$ -	\$ -	\$ 3,298,255
Internet	-	436,276	-	436,276
Fiber lease	-	210,070	-	210,070
Miscellaneous	122,062	42,295	-	164,357
	<u>3,420,317</u>	<u>688,641</u>	<u>-</u>	<u>4,108,958</u>
Operating expenses				
Plant specific operations	623,071	-	-	623,071
Plant nonspecific operations	189,161	-	-	189,161
Depreciation and amortization	1,171,365	-	-	1,171,365
Customer operations	242,151	-	-	242,151
Corporate operations	685,407	-	-	685,407
Other operating taxes	127,663	-	-	127,663
Nonregulated	-	428,861	-	428,861
	<u>3,038,818</u>	<u>428,861</u>	<u>-</u>	<u>3,467,679</u>
Operating income	<u>381,499</u>	<u>259,780</u>	<u>-</u>	<u>641,279</u>
Nonoperating income (expense)				
Interest and dividend income	59,684	11,942	(5,335)	66,291
Other nonoperating expense	(5,000)	(922)	-	(5,922)
Income from affiliate	187,390	30,538	(199,414)	18,514
	<u>242,074</u>	<u>41,558</u>	<u>(204,749)</u>	<u>78,883</u>
Margins before income taxes	623,573	301,338	(204,749)	720,162
Income tax expense	<u>(7,315)</u>	<u>(101,924)</u>	<u>-</u>	<u>(109,239)</u>
Net margins	<u>\$ 616,258</u>	<u>\$ 199,414</u>	<u>\$ (204,749)</u>	<u>\$ 610,923</u>