

November 7, 2011

Washington Utilities and Transportation Commission
PO BOX 47250
Olympia, WA 98504-7250

RE: Docket UT-110858

To Whom It May Concern:

The following information for Beaver Creek Telephone dba Timberline Telecom is provided in response to the Data Request for Docket UT-110858. The information is confidential per WAC 480-07-160.

If you should require further information, please don't hesitate to contact me at either 541-932-4411 or dkluser@ortelco.net.

Sincerely,

Delinda Kluser
General Manager

Data Request

Docket UT-110585

Skyline Telecom Inc. (formerly Beaver Creek Telephone dba Timberline Telecom)

1. Modified Rural LEC Model – See Attachment 2
2. Part 64 Cost Allocation Model – Included
3. Known and Measurable Adjustments – No such adjustments have been calculated.
4. Corporate Operations Expense Adjustment – No such adjustments have been calculated.
5. A. Affiliated Companies include Oregon Telephone Corporation, North-State Telephone Co., and Direct Communications
B. Applicable Financials have been included.
C. This company operates as an independent, standalone company therefore no consolidated statements are available.
6. In order to achieve economies of scale, management agreements between the companies have been entered into. Costs are apportioned to Skyline Telecom through these agreements. The corporate business office is located in Mt Vernon, OR. All accounting, billing and customer service details are handled from this office. Labor and associated overheads are direct assigned and recorded to the appropriate general ledger account per Part 32 rules.
7. Attachment C – Schedule C – See attachment
8. Bundled Service – Skyline Telecom currently does not offer bundled service packages.
9. December 31, 2009 Trial Balance – Included
10. Access Line Count – Included
11. Audited financial report – Included

SKYLINE TELEPHONE COMPANY
PART 64 COST ALLOCATION MANUAL
EFFECTIVE JULY 1, 2011

Affiliated companies:

Skyline frequently has transactions with the following companies. The companies are affiliated with Skyline through joint ownership:

Oregon Telephone Corporation – Mt. Vernon, Oregon

North-State Telephone Company – Dufur, Oregon

Direct Communications – Rockland, ID

Skyline also is affiliated with other companies in a brother – sister relationship, but has no transactions with them.

Description of non regulated lines of business:

Skyline Telephone Company (formerly Skyline Telephone and Beaver Creek Telephone dba Timberline Telecom) engages in the following non regulated activities:

Voice Mail

Internet Access

Pay telephones

All activities are accorded incidental accounting treatment since they, in total, provide less than 0.5% of the company's revenue.

Accounting for regulated vs. non regulated costs:

Costs incurred by affiliates on behalf of Skyline (labor and travel) are charged at fully loaded rates for labor or at actual cost for travel related expenses. All materials are purchased directly from vendors, not through affiliates.

Skyline directly assigns all costs to the final regulated or non regulated accounts as per §64.901(b)(2).

Skyline accounts for its non regulated investment in Account 1406 and its non regulated expenses and revenues in Account 7300.

BEAVER CREEK TELEPHONE COMPANY

FINANCIAL REPORT

DECEMBER 31, 2009 AND 2008

BEAVER CREEK TELEPHONE COMPANY
FINANCIAL REPORT
DECEMBER 31, 2009 AND 2008

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Beaver Creek Telephone Company
Mt. Vernon, Oregon

We have audited the accompanying balance sheets of Beaver Creek Telephone Company (a Washington corporation) as of December 31, 2009 and 2008, and the related statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beaver Creek Telephone Company at December 31, 2009 and 2008, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2010, on our consideration of Beaver Creek Telephone Company's internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Wiggins & Co., LLC

Brigham City, Utah
February 19, 2010

BEAVER CREEK TELEPHONE COMPANY
BALANCE SHEETS
DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ [REDACTED]	\$ [REDACTED]
Restricted cash in escrow	[REDACTED]	[REDACTED]
Due from customers and agents (no bad debt allowance)	[REDACTED]	[REDACTED]
Prepaid taxes	[REDACTED]	[REDACTED]
Prepaid expenses	[REDACTED]	[REDACTED]
Total current assets	[REDACTED]	[REDACTED]
Other assets		
Other assets	[REDACTED]	[REDACTED]
Deferred charges:		
Business start up costs	[REDACTED]	[REDACTED]
RUS loan costs	[REDACTED]	[REDACTED]
Deferred income tax benefit	[REDACTED]	[REDACTED]
Total other assets and investments	[REDACTED]	[REDACTED]
Property, plant, and equipment		
In Service:		
Telecommunications plant	[REDACTED]	[REDACTED]
Total assets	\$ [REDACTED]	\$ [REDACTED]
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$ [REDACTED]	\$ [REDACTED]
Notes payable-affiliated companies	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Accrued income taxes payable	[REDACTED]	[REDACTED]
Accrued expenses	[REDACTED]	[REDACTED]
Total current liabilities	[REDACTED]	[REDACTED]
Other liabilities		
Deferred income taxes	[REDACTED]	[REDACTED]
Long-term debt, net of current portion	[REDACTED]	[REDACTED]
Total other liabilities	[REDACTED]	[REDACTED]
Stockholders' equity		
Common stock	[REDACTED]	[REDACTED]
Retained earnings (deficit)	[REDACTED]	[REDACTED]
Total stockholders' equity	[REDACTED]	[REDACTED]
Total liabilities and stockholders' equity	\$ [REDACTED]	\$ [REDACTED]

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

BEAVER CREEK TELEPHONE COMPANY
 STATEMENTS OF INCOME AND CHANGES IN RETAINED EARNINGS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Operating revenue		
Local network	\$ [REDACTED]	\$ [REDACTED]
Network access	[REDACTED]	[REDACTED]
Total operating revenue	[REDACTED]	[REDACTED]
Operating expenses		
Plant specific	[REDACTED]	[REDACTED]
Plant nonspecific	[REDACTED]	[REDACTED]
Corporate	[REDACTED]	[REDACTED]
Depreciation and amortization	[REDACTED]	[REDACTED]
Total operating expenses	[REDACTED]	[REDACTED]
Operating taxes		
Income taxes (benefit)	[REDACTED]	[REDACTED]
Other operating taxes	[REDACTED]	[REDACTED]
Total operating expenses and taxes	[REDACTED]	[REDACTED]
Operating income	[REDACTED]	[REDACTED]
Other income	[REDACTED]	[REDACTED]
Income available for fixed charges	[REDACTED]	[REDACTED]
Fixed charges, interest on long-term debt	[REDACTED]	[REDACTED]
Net income	[REDACTED]	[REDACTED]
Retained earnings (deficit), beginning of year	[REDACTED]	[REDACTED]
Retained earnings (deficit), end of year	\$ [REDACTED]	\$ [REDACTED]

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

BEAVER CREEK TELEPHONE COMPANY
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Cash flows from operating activities		
Net income	\$ [REDACTED]	\$ [REDACTED]
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	[REDACTED]	[REDACTED]
Depreciation on other assets	[REDACTED]	[REDACTED]
Amortization of business start up costs	[REDACTED]	[REDACTED]
Amortization of loan costs	[REDACTED]	[REDACTED]
Deferred taxes	[REDACTED]	[REDACTED]
Changes in assets and liabilities		
Due from customers and agents	[REDACTED]	[REDACTED]
Notes receivable	[REDACTED]	[REDACTED]
Prepaid taxes	[REDACTED]	[REDACTED]
Prepaid expense	[REDACTED]	[REDACTED]
Customer deposits	[REDACTED]	[REDACTED]
Accounts payable	[REDACTED]	[REDACTED]
Accrued income taxes payable	[REDACTED]	[REDACTED]
Other accrued liabilities	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Net cash provided (used) by operating activities	[REDACTED]	[REDACTED]
Cash flows from investing activities		
Proceeds from (purchase of) investments	[REDACTED]	[REDACTED]
Contracts retainage payable	[REDACTED]	[REDACTED]
Funds put into escrow	[REDACTED]	[REDACTED]
Capital expenditures	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Net cash provided (used) by investing activities	[REDACTED]	[REDACTED]
Cash flows from financing activities		
Payments on long-term debt	[REDACTED]	[REDACTED]
Proceeds from long-term debt	[REDACTED]	[REDACTED]
Proceeds from notes payable-affiliated companies	[REDACTED]	[REDACTED]
Proceeds from note payable	[REDACTED]	[REDACTED]
Proceeds from (payments on) notes payable to affiliates	[REDACTED]	[REDACTED]
Payments on stockholder loans	[REDACTED]	[REDACTED]
Proceeds from issuance of stock	[REDACTED]	[REDACTED]
Proceeds from stockholder loans	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Net cash provided (used) by financing activities	[REDACTED]	[REDACTED]
Net increase (decrease) in cash and cash equivalents	[REDACTED]	[REDACTED]
Cash and cash equivalents, beginning	[REDACTED]	[REDACTED]
Cash and cash equivalents, ending	\$ [REDACTED]	\$ [REDACTED]
Cash paid during the year for:		
Interest	\$ [REDACTED]	\$ [REDACTED]
Income taxes	\$ [REDACTED]	\$ [REDACTED]

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

BEAVER CREEK TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Beaver Creek Telephone Company has been granted authority by the Washington Utilities and Transportation Commission to offer telecommunication services to areas in Snohomish and King Counties in the State of Washington. The Company is presently operating telecommunications plant necessary to provide these services.

Regulation

The Company will provide intrastate and interstate telecommunication services which are subject to various state and federal regulations including certification by the state and federal commissions, filing and approval of tariffs or price lists, and other reporting requirements. Other regulations affecting telecommunications continue to evolve. The Company maintains its accounting records in accordance with the Uniform System of Accounts, as prescribed by the Federal Communications Commission. Regulatory actions currently pending, as well as future regulations, may impact the Company.

Estimates

The Company uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company maintains its cash and cash equivalents in accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Cash and cash equivalents are defined as all short term cash with a maturity of three months or less. Cash equivalents are recorded at cost, which approximates fair value.

Property, Plant, and Equipment

Property, plant, and equipment in service is stated at cost, including estimated overhead expense. Maintenance and repairs are charged to operations when incurred. Renewals and betterments are capitalized.

BEAVER CREEK TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is calculated on a straight-line basis over the estimated life of the classes of buildings and equipment in accordance with rates approved by the WUTC. Depreciation rates range from 4% to 25%. Costs of plant retired are eliminated from utility plant accounts and such costs plus removal expenses, less salvage, are charged to accumulated provision for depreciation. Depreciation expense for the years ended December 31, 2009 and 2008 was [REDACTED] and [REDACTED], respectively for property, plant and equipment.

Network Access Revenues

Network access revenues related to interlata and intralata toll service are received under a system of access charges. Access charges represent a methodology by which local telephone companies, including the Company, charge the long distance carrier for access and interconnection to local facilities. The Company follows an access tariff filed with the WUTC for these charges.

When network access revenues have been received pursuant to the settlement and access agreements above, they are divided into traffic sensitive, nontraffic sensitive, and billing and collecting portions. The revenues are then either placed into a common pooling arrangement with other exchange carriers for redistribution or kept by the Company. The redistributions are made according to formulas established by the governing boards of the pools and are generally based upon expenses incurred and investment maintained. The Company participates in pooling arrangements with the National Exchange Carrier Association (NECA) and the Washington Exchange Carrier Association (WECA).

Settlement, access, and pool distribution revenues are recorded when the amounts become determinable. Related expenses are recorded when incurred. Subsequent true-ups and retroactive adjustments, which are generally allowed for a period of 24 months after the close of the related calendar years (NECA only), are recorded in the year in which such adjustments become determinable, based upon studies by an outside consultant.

Allowance for Doubtful Accounts

An allowance for doubtful accounts has not been maintained because the Company believes that all receivables will be collected. In the future, an allowance may be set up based on the historical write off of accounts and overall gross sales on account.

BEAVER CREEK TELEPHONE COMPANY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The Company follows Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*. The Statement extends fair value disclosure practices by requiring all entities to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the balance sheets, for which it is practicable to estimate fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. The fair value of the Company's financial instruments approximates carrying value. Fair values were estimated based on quoted market prices and on current rates offered to the Company for debt with similar terms and maturities.

Credit Risk and Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, receivables, and debt agreements. The Company does not require collateral or other security to support receivables from customers or agents.

The Company maintains most of its cash accounts in a commercial bank located in Oregon. Effective October 14, 2008, the Federal Deposit Insurance Corporation announced its temporary Transaction Account Guarantee Program, which provides full coverage for non-interest bearing transaction deposit accounts at FDIC-insured institutions. The deposits of the Company qualify for the coverage under this program. A summary of the total insured bank balances follows:

	2009	2008
Total cash balance (bank balance)	\$ [REDACTED]	\$ [REDACTED]
Portion uninsured by FDIC	-	-
Insured bank balances	\$ [REDACTED]	\$ [REDACTED]
Reconciled book balance-12-31	\$ [REDACTED]	\$ [REDACTED]

Credit sales are made to the Company's customers in the ordinary course of business. Generally, these sales are unsecured and are recorded at the billable amounts based on WUTC approved rates.

BEAVER CREEK TELEPHONE COMPANY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred charges and amortization

Deferred charges consist of business start up costs and RUS loan costs. The business start up costs will be amortized using the straight-line method over sixty months beginning with the first month of operations. The RUS loan costs will be amortized using the straight-line method over a period of 180 months (the life of the RUS and RTB loans) beginning with the first month of operations. The Company began operations in July 2006 and the amortization of the above costs began then. Amortization expense for 2009 and 2008 was [REDACTED] and [REDACTED], respectively.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. This statement requires the annual computation of income taxes under an asset and liability approach and the recognition of deferred income tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements and income tax returns. The Company annually computes deferred tax assets and liabilities for differences between financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future.

The Company had operating federal income taxes of [REDACTED] for 2009 and an operating federal deferred income tax provision of [REDACTED]. In 2007, the operating federal income tax provision was [REDACTED] and the operating federal deferred income provision was [REDACTED]. There is no state income tax in the State of Washington. Deferred taxes are a result of timing differences between book and tax depreciation and net operating loss carryforwards.

Common Stock

Common stock of the Company is as follows at December 31, 2009 and 2008:

	Par Value	Authorized	Issued and Outstanding
Beaver Creek Telephone Company	No par	[REDACTED]	[REDACTED]

BEAVER CREEK TELEPHONE COMPANY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2. BUSINESS STARTUP ISSUES

The Company was formed in August 1999 for the purpose of obtaining the proper approvals to provide telecommunications services to unserved territory in the State of Washington. The Company obtained the proper approvals from state and federal telecommunication commissions, and obtained the proper permits from local authorities and obtaining financing for the construction of telephone plant. The operations prior to 2006 were minor and most of the costs related to obtaining the noted approvals and financing arrangements have been capitalized as business start up costs and are being amortized over sixty months. The Company began operations in mid 2006.

NOTE 3. PROPERTY, PLANT, AND EQUIPMENT

Listed below are the major classes of property, plant, and equipment in service:

	2009	2008
Telecommunications:		
Land and support	\$ [REDACTED]	\$ [REDACTED]
Central office	[REDACTED]	[REDACTED]
Cable and wire facilities	[REDACTED]	[REDACTED]
Computers	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Accumulated depreciation	[REDACTED]	[REDACTED]
	\$ [REDACTED]	\$ [REDACTED]

NOTE 4. LONG-TERM DEBT

Long-term debt consists of the following:

	2009	2008
[REDACTED] mortgage note payable to the Rural Utility Services (RUS) payable in monthly installments of [REDACTED] collateralized by substantially all real and personal property, due in various years through [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
[REDACTED] mortgage note payable to the Rural Utility Services (RUS), payable in monthly installments of [REDACTED] collateralized by substantially all real and personal property, due in various years through [REDACTED]	[REDACTED]	[REDACTED]
[REDACTED] mortgage note payable to Rural Utility Services (RUS), payable in monthly installments of [REDACTED] collateralized by substantially all real and personal property, due in various years through [REDACTED]	[REDACTED]	[REDACTED]

BEAVER CREEK TELEPHONE COMPANY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 4. LONG TERM DEBT (continued)

The anticipated principal payments of the outstanding debt at December 31, 2009, are as

2010	\$	██████████
2011		██████████
2012		██████████
2013		██████████
2014		██████████
Thereafter		██████████
		██████████
	\$	██████████

Interest expense incurred and charged to expense was ██████████ and ██████████ for the years ended December 31, 2009 and 2008, respectively.

All assets of the Company are pledged as security for the long-term debt under the loan agreements with Rural Utilities Service (RUS) and the loan agreements also contains certain restrictions on the declaration or payment of cash dividends, redemption of capital stock, or investment in affiliated companies.

NOTE 5. NOTES PAYABLE-AFFILIATED COMPANIES

In December 2009, the Company borrowed ██████████. The note accrues interest at ██████████.

NOTE 6. RELATED PARTY TRANSACTIONS

The Company paid Direct Communications ██████████ for the monthly rent of a T-1.

The Company paid ██████████ in 2009 for labor and supplies to install equipment. The Company owed ██████████. The Company borrowed ██████████. The loan accrues interest at ██████████ and is due ██████████.

The Company paid Direct Communications Starwest, Inc. ██████████ in 2009 and ██████████ in 2008 for management services.

BEAVER CREEK TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 6. RELATED PARTY TRANSACTIONS (continued)

The Company has entered into a management agreement with Oregon Telephone Corporation. The operating management agreement is effective for a period of 35 years or unless ordered to be terminated by the Utilities and Transportation Commission of Washington. The amount paid in 2009 was \$1,125 and the amount paid in 2008 was \$1,125. In 2009 the Company reimbursed Oregon Telephone Corporation for payroll expenses paid on behalf of the Company. The Company owed Oregon Telephone for 2009 and for 2008. These liabilities are included in accounts payable in the balance sheet.

NOTE 7. CONCENTRATIONS

Approximately 99% and 98%, respectively of total revenue and receivables for the years ended December 31, 2009 and 2008 is attributable to distributions from the National Exchange Carrier Association (NECA) and the Washington Exchange Carrier Association (WECA).

NOTE 8. COMMITMENTS



NOTE 9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the auditor's report date, which is the date that the financial statements were available to be issued.



ACCOUNTANT'S REPORT

To the Board of Directors
Direct Communications Star West, Inc.
Rockland, Idaho 83271

We have reviewed the accompanying balance sheet of Direct Communications Star West, Inc. (an S corporation) as of December 31, 2009, and the related statements of income, stockholders' equity and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management (owners) of Direct Communications Star West, Inc..

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Wiggins & Co. L.L.C.

Brigham City, Utah
March 29, 2010

DIRECT COMMUNICATIONS STAR WEST, INC.
BALANCE SHEET
DECEMBER 31, 2009

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$:	██████████
Accounts receivable -		██████████
Affiliated companies		██████████
Prepayments		██████████

Total current assets		██████████
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NONCURRENT ASSETS

Loan costs		██████████
Investment in closely held businesses		██████████

Total noncurrent assets		██████████
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PROPERTY, BUILDING AND EQUIPMENT

Less accumulated depreciation and amortization		██████████
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Net property, building and equipment		██████████
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Total assets	\$:	██████████
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable -		
Affiliated companies	\$:	██████████
Employee flex account		██████████
Other		██████████
Current portion of long-term debt		██████████
Accrued liabilities -		
Payroll and related liabilities		██████████

Total current liabilities		██████████
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LONG-TERM DEBT, less current portion		██████████
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STOCKHOLDERS' EQUITY

Common stock, no par value		
per share; 200,000,000 authorized,		
issued 31,000 shares		██████████
Retained earnings		██████████

Total stockholders' equity		██████████
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Total liabilities & stockholders' equity	\$:	██████████
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See accompanying notes and accountant's report.

DIRECT COMMUNICATIONS STAR WEST, INC.
 STATEMENT OF INCOME AND RETAINED EARNINGS
 FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATING REVENUES

Management fees	\$: [REDACTED]
Rent revenue	[REDACTED]
Accounting revenue	[REDACTED]
Marketing & Support Services revenue	[REDACTED]
Miscellaneous	[REDACTED]
	[REDACTED]

OPERATING EXPENSES

Facilities and equipment expense	[REDACTED]
Marketing expense	[REDACTED]
Accounting expense	[REDACTED]
Customer Service expense	[REDACTED]
Corporate operations	[REDACTED]
Depreciation and amortization	[REDACTED]
Total operating expenses	[REDACTED]

Net operating income [REDACTED]

OTHER INCOME (EXPENSES)

Dividend Income	[REDACTED]
Interest expense	[REDACTED]
Income (loss) from investments in affiliated companies	[REDACTED]
Gain on sale of land and building	[REDACTED]
	[REDACTED]
Total other income (expenses)	[REDACTED]

NET INCOME (LOSS) [REDACTED]

RETAINED EARNINGS, JANUARY 1 [REDACTED]

DISTRIBUTIONS TO STOCKHOLDERS [REDACTED]

RETAINED EARNINGS, DECEMBER 31 \$ [REDACTED]

See accompanying notes and accountant's report.

DIRECT COMMUNICATIONS STAR WEST, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Net income (loss)	\$	
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization		
Income (loss) from affiliated investments		
Gain on sale of land and building		
Change in assets and liabilities		
(Increase) decrease in:		
Accounts receivable		
Prepaid expenses		
Increase (decrease) in:		
Accounts payable		
Accrued payroll and related liabilities		
Accrued interest		

Net cash provided (used) by operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of equipment		
Purchase of equipment		
Purchase of investments in affiliates		

Net cash provided (used) by investing activities

Net cash provided (used) by investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from debt		
Payments of debt		
Distribution to stockholders		

Net cash provided (used) by financing activities

Net increase (decrease) in cash and cash equivalents

Cash and cash equivalents, January 1

Cash and cash equivalents, December 31

Supplemental Disclosures:

Cash paid for interest:	\$	
Cash paid for income taxes:	\$	

See accompanying notes and accountant's report.

DIRECT COMMUNICATIONS STAR WEST, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Direct Communications Star West, Inc. (Company) is a management company whose main office is located in Rockland, Idaho. The main service it provides is management and rental services to related companies.

BASIS OF ACCOUNTING

Revenue and expenses are reported on the accrual basis, which means that income is recognized as it is earned and expenses are recognized as they are incurred whether or not cash is received or paid out at that time.

PROPERTY, BUILDING AND EQUIPMENT

Property, building and equipment are recorded at cost. When units of property are retired, sold or otherwise disposed of in the ordinary course of business, their cost is netted against accumulated depreciation and any gain or loss is recorded in the income statement. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance.

The cost of property, building and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. Depreciation expense for 2009 was [REDACTED]

MATERIALS AND SUPPLIES INVENTORY

Inventories of materials and supplies are valued at lower of cost or market. Items determined to be obsolete are written off.

ACCOUNTS RECEIVABLE

The Company estimates its allowance for doubtful accounts based on prior years' experience and management's analysis of possible bad debts. The Company bills related entities for services provided by the Company. The Company has not estimated an allowance for doubtful accounts because management considers all the receivables fully collectible. The Company does not charge interest on accounts receivable.

INCOME TAXES

The Company, with the consent of its shareholders, has elected under Section 1361 of the Internal Revenue Code to be treated as an S corporation for income tax purposes and as a result, net income is taxed at the shareholder level. Accordingly, there is no provision for federal income taxes reflected in the Company's financial statements.

DIRECT COMMUNICATIONS STAR WEST, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PREPAID EXPENSES

Prepaid expenses are those paid in advance or that provide a benefit that extends beyond December 31. Such expenses may include property insurance, employee insurance, property taxes and workman's compensation insurance.

ACCRUALS

Taxes are accrued each month with sales and individual purchases. Other accruals include payroll related items.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FINANCIAL INSTRUMENTS

The Company follows Statement of Financial Accounting Standards No. 107, Disclosures about Fair Value of Financial Instruments. The Statement extends fair value disclosure practices by requiring all entities to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale.

The fair value of the Company's financial instruments approximates carrying value. Fair values were estimated based on quoted market prices and on current rates offered to the Company for debt with similar terms and maturities.

CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of debt agreements. Receivables are concentrated primarily in related entities. Management considers the receivables to be fully collectible, however, the receivables are subject to credit risk.

INVESTMENTS

The Company's investment includes a [REDACTED], which is recorded on the equity method because of the significance of the amount invested and the fact that it is an interest in a entity that passes any profit or loss to the members at the end of each year. Also included in investments is a non-controllable, minority interest in [REDACTED]. This investment is recorded at cost.

CASH AND CASH EQUIVALENTS

All highly liquid investments with a maturity of six months or less from date of purchase are considered cash equivalents. Such items include money market savings accounts.

DIRECT COMMUNICATIONS STAR WEST, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 2. PROPERTY, BUILDING AND EQUIPMENT

Property, building and equipment consists of the following:

Land	\$	██████████
Buildings		██████████
Motor vehicles		██████████
Work equipment		██████████
		██████████
Total property, building and equipment	\$	██████████

NOTE 3. LONG-TERM DEBT

Long-term debt consists of:

Zions Credit Corporation-lease	\$	██████████
Nissan Motor Acceptance Corporation		██████████
General Motors Acceptance Corporation		██████████
Wachovia Financial		██████████
Toyota Motor Credit Corporation		██████████
Zions First National Bank		██████████
		██████████
Less current maturity		██████████
		\$ ██████████


The annual requirements for debt service on long-term debt are as follows:

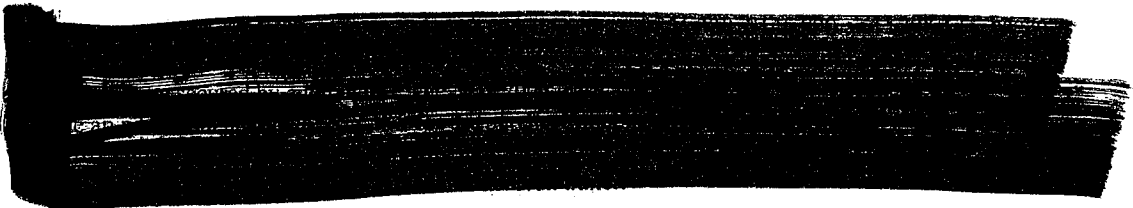
	2010	\$	██████████
	2011		██████████
	2012		██████████
	2013		██████████
	2014		██████████
	Thereafter		██████████
	Total	\$	██████████

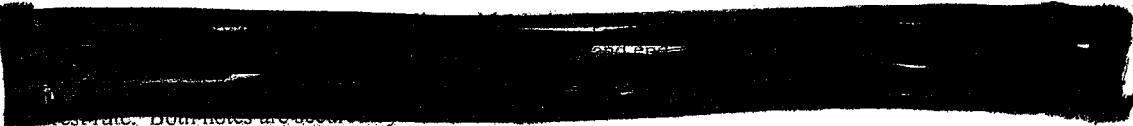
DIRECT COMMUNICATIONS STAR WEST, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3. LONG-TERM DEBT (continued)

Substantially all property and equipment of the Company are pledged as security for the long-term debt under certain loan agreements with each applicable lending institution. These notes are to be repaid in monthly installments covering principal and interest expiring at various dates through October 2021.

Cash paid for interest during the year ended December 31, 2009, totaled 

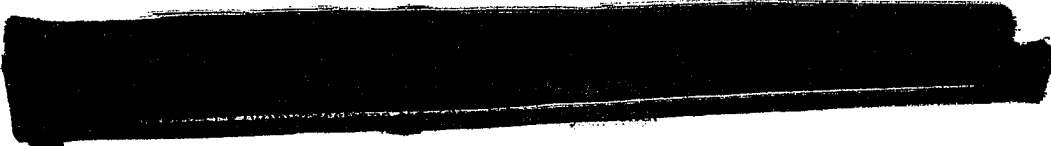














DIRECT COMMUNICATIONS STAR WEST, INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 3. LONG-TERM DEBT (continued)

[REDACTED]

NOTE 4. CAPITAL LEASES

As mentioned in Note 3, the Company has entered into capital leases with Green Crown Corporation for the purchase of office equipment. The lease term is 60 months (extended to 66 months if the Company exercises its purchase option). The Company has the right to purchase the equipment at the end of the lease term for \$1. At December 31, 2009, the Company has recorded a liability of \$17,000 and accumulated depreciation of \$18,525. A revaluation of the equipment and accumulated depreciation has been recorded.

The related future minimum lease payments under the capital lease obligations is projected by year of maturity, including fixed purchase options, as follows at December 31, 2009.

	<u>Green Crown Corporation</u>	<u>Total</u>
2010	[REDACTED]	[REDACTED]
2011	[REDACTED]	[REDACTED]
2012	[REDACTED]	[REDACTED]
2013	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
Less: amount representing interest	[REDACTED]	[REDACTED]
Present value of minimum lease payments:	\$ [REDACTED]	\$ [REDACTED]

NOTE 5. LOAN COSTS

The Company incurred costs related to borrowing funds for the purchase of facilities and equipment. The total loan costs incurred was [REDACTED]. The loan costs are being amortized over the life of each related loan, which range from [REDACTED] to [REDACTED] months. The amortization expense for 2009 was [REDACTED] and the accumulated amortization balance at December 31, 2009, was [REDACTED].

DIRECT COMMUNICATIONS STAR WEST, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 6. RELATED PARTY TRANSACTIONS

The Company has entered into the following related party transactions during 2009:

1 Direct Communications Rockland, Inc.

[REDACTED]

2 Oregon Telephone Corporation and subsidiaries

This company is 100% owned by two of the Company's shareholders. Services are provided to Oregon Telephone Corporation for equipment lease and repair. The amount received during 2009 totaled \$46,700.

3 Direct Communications Cedar Valley, LLC

This company is 50% owned by five of the Company's shareholders, with the other 50% owned by Direct Communications Rockland, Inc. Services are provided to Direct Communications Cedar Valley, LLC for equipment lease and repair. The amount received during 2009 totaled \$156,801. The Company also provided services to Direct Communications Rockland, Inc. The total received during 2009 for these services was \$30,100.

4 Direct Communications Cable

This company is 100% owned by Direct Communications Rockland, Inc. Services are provided to Direct Communications Cable for equipment lease and repair. The amount received during 2009 totaled \$73,111. The Company also provided services to Direct Communications Rockland, Inc. The total received during 2009 for these services was \$33,100.

5 Beaver Creek Telephone Company

This company is 100% owned by Direct Communications Rockland, Inc. The Company provides equipment lease and repair services. The total received during 2009 for these services was \$21,500.

6 New Florence

This company is 100% owned by the Company. The Company provides services to New Florence. The total received during 2009 for these services was \$40,450.

NOTE 7. COMPREHENSIVE INCOME

The Company had no components of comprehensive income required to be disclosed under Statement of Financial Accounting Standards (SFAS) 130.

DIRECT COMMUNICATIONS STAR WEST, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 8. CONCENTRATIONS OF CREDIT RISK - CASH BALANCES

The Company maintains most of its cash accounts in commercial banks located in Idaho. Effective October 2008, the Federal Deposit Insurance Corporation (FDIC) changed its coverage of non-interest bearing accounts and now provides full coverage for such accounts. The accounts at the Company are all non-interest bearing. Below is a summary of the bank balance and the amount insured by the FDIC:

Total cash held (bank balance)	\$ [REDACTED]
Portion insured by FDIC	[REDACTED]
Uninsured cash balances:	<u>\$ -</u>

NOTE 9. ACCOUNTS RECEIVABLE

The Company had the following accounts receivable at December 31, 2009:

Affiliated companies	\$ [REDACTED]
	<u>\$ [REDACTED]</u>

NOTE 10. PENSION PLAN

Substantially all employees of the Company are covered by a defined contribution pension plan. The plan is a 401k-type plan and is administered by the National Telephone Cooperative Association (NTCA). The employees are allowed to defer up to the maximum amount allowed by the plan and the Company will match the employees contributions up to 6% of the eligible annual salary. All of the participant's are 100% vested upon contribution. The Company contributed [REDACTED] in matching contributions during 2009.

NOTE 11. SUBSEQUENT EVENTSS

Subsequent events have been evaluated through the auditor's report date, which is the date that the financial statements were available to be issued.

LEC Name: Beaver Creek Telephone dba Timberline Telecom

Date: October, 2011

ITEM C SCHEDULE
LIST ALL RETAIL-COMMUNICATIONS-RELATED PRODUCTS OR SERVICES
(INCLUDING INFORMATION SERVICES PROVIDED BY THE REGULATED COMPANY AND EACH OF ITS AFFILIATES)

Please check (i.e., X) if the company and/or its affiliates offers these services

	Products and Services	Yes - Directly by the Company	Yes - By an Affiliate	Name of Affiliate
1	Long Distance - Facilities Based			
2	Long Distance - Resale			
3	High Speed Internet - Satellite			
4	High Speed Internet - DSL	X		
5	Other Broadband (Please specify the technology (e.g., PON)			
6	a. Fiber-to-the-Home			
7	b. Cable Modem			
8	Wireless Broadband (e.g., Motorola)			
9	Enhanced and/or Accelerated Dial-Up			
10	Satellite Radio			
11	Web Hosting			
12	Voice Mail	X		
13	Custom Calling Services	X		
14	Voice Wireless - Cellular			
15	PCS			
16	IPTV (e.g., PON)			
17	Cable TV			
18	Satellite TV			
19	Customer Provided Equipment	X		
20	Inside Wiring	X		
21	Billing and Collections			
22	Wi-Fi			
23	Wi-MAX			
24	VoIP			
25	Other Services (please list)			
	a. Private Line Service	X		
	b. Retail Special Access	X		
	c.			
	d.			
	e.			
	f.			

Com Sub Div	Account	Description	Beginning Balance	Debit	Credit	New Balance
	1120.7	CASH-GENERAL BANK OF EASTERN OI				
	1180	A/R SUBSCRIBERS				
	1190.3	A/R-AT&T				
	1190.4	A/R VERIZON CABS				
	1190.5	A/R NECA				
	1190.6	A/R WECA				
	1190.7	A/R-MACC CABS				
	1280.2	PREPAID INCOME TAXES				
	1280.3	PREPAID INSURANCE				
	1402.4	SKYLINE ESCROW HOLDING ACCOUNT				
	1406.10	PAYSTATIONS				
	1406.10.1	ALLOW FOR DEPR-PAYSTATIONS				
	2110.2	GENERAL SUPPORT-BUILDINGS				
	2110.4	GENERAL SUPPORT-COMPUTER EQUIP				
	2210	COE-SWITCHING				
	2230	COE-TRANSMISSION				
	2410.1	CABLE & WIRE-POLE LINE				
	2410.21	CABLE & WIRE-AERIAL CABLE				
	2410.41	CABLE & WIRE-BURIED CABLE				
	2410.7	UNDERGROUND CONDUIT				
	2501	NEW COMPANY START-UP FEES				
	2502	START-UP COSTS-PRE-LOAN COSTS				
	3101.1	ALLOW FOR DEPR-BUILDINGS				
	3101.3	ALLOW FOR DEPR-COMPUTER EQUIP				
	3102.1	ALLOW FOR DEPR-COE				
	3102.4	ALLOW FOR DEPR-COE TRANS				
	3104.1	ALLOW FOR DEPR-POLE LINE				
	3104.2	ALLOW FOR DEPR-AERIAL CABLE				
	3104.4	ALLOW FOR DEPR-BURIED CABLE				
	3104.7	ALLOW FOR DEPR-UNDERGROUND CC				
	4010.1	A/P GENERAL				
	4010.1.01	A/P - NECA SETTLEMENTS				
	4010.2	A/P PAYROLL				
	4010.3	A/P FEDERAL EXCISE				
	4010.4	A/P STATE 911				
	4010.4.1	A/P STATE TAX				

Com Sub Div Account	Description	Beginning Balance	Debit	Credit	New Balance
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4010.51	A/P FICA				
4010.53	A/P FEDERAL UNEMPLOYMENT TAX				
4010.62	A/P-WUTA				
4010.8	A/P LIFE LINE				
4010.8.1	A/P-WTAP				
4010.9	A/P - AFFILIATED COMPANIES				
4040	CUSTOMER DEPOSITS				
4210.1	LONG TERM DEBT-RUS				
4210.2	LONG TERM DEBT-RTB				
4210.6	NOTE PAYABLE - AFFILIATES				
4210.8	NOTES PAYABLE-BANK OF EASTERN C				
4340	DEFERRED OPER INCOME TAX				
4510	CAPITAL STOCK				
4550.1	RETAINED EARNINGS				
4550.3	NON-REG RETAINED EARNINGS				
5000	LOCAL SERVICE REVENUE				
5060	OTHER LOCAL SERVICE				
5081.1	INTERSTATE-END USER				
5082.1	I/S CARRIER COMMON LINE				
5082.1.1	I/S CCL-PRIOR YEAR				
5082.2	I/S TRAFFIC SENSITIVE				
5082.2.1	I/S TS-PRIOR YEAR				
5082.3	I/S HIGH COST LOOP FUND				
5083.2	I/S DSL REVENUE				
5084.1	STATE-CARRIER COMMON LINE				
5084.2	STATE-TRAFFIC SENSITIVE				
5084.5	STATE VOLUNTARY POOL				
5300	UNCOLLECTIBLE REVENUE				
6110	VEHICLE/EQUIPMENT RENTAL EXPENS				
6120	GENERAL SUPPORT EXPENSE				
6210	COE EXPENSE				
6230.12	SUB CXR EXPENSE				
6410	CABLE & WIRE EXPENSE				
6530.2	NETWORK OPERATIONS - ENGINEERIN				
6530.3	NETWORK OPERATIONS - POWER				
6560.1	DEPRECIATION EXPENSE				

Com Sub Div	Account	Description	Beginning Balance	Debit	Credit	New Balance
	6564	AMORTIZATION EXPENSE				
	6620.2	CUSTOMER OPERATIONS - DIRECTOR				
	6620.3	CUSTOMER OPERATIONS - CUSTOMER				
	6620.6	CUSTOMER OPERATIONS - REVENUE				
	6620.7	CUSTOMER OPERATIONS - CABS				
	6620.8	TRS FUND PAYMENT				
	6620.9	NUMBERING PLAN ADMIN FUND				
	6710.1	CORPORATE OPERATIONS - EXECUTIVE				
	6720.1	CORP OPER - GENERAL ACCOUNTING				
	6720.2	CORP OPER - LEGAL				
	6720.21	CORP OPER - AUDIT & TAX EXP				
	6720.3	CORP OPER - INSURANCE				
	6720.4	CORP OPER - OTHER				
	7200.3	OPERATING TAXES - PUC FEES				
	7200.4	OPER TAXES - CORPORATE COMMISSION				
	7202.1	OPERATING TAXES - FEDERAL INCOME				
	7202.3	OPER TAXES - FED INCOME TAX DEFER				
	7242	OPER TAX - B&O TAX				
	7300.3	MISC INCOME CHARGES				
	7500.1	INTEREST EXPENSE - REA				
	7500.2	INTEREST EXPENSE - RTB				
	7500.3	INTEREST EXPENSE - OTHER				
	7990.13	NON-REG INTERNET REVENUE				
	7990.13.1	NON-REG INTERNET EXPENSE				
	7990.16	NON-REG DSL REVENUE				
	7990.16.1	NON-REG DSL EXPENSE				
	7990.21	NON-REG REV CUSTOMER OWNED				
	7990.22	NON-REG EXP - CUSTOMER OWNED				
	7990.31	NON-REG REV - MAINT. AGREEMENT				
	7990.52	NON-REG EXP - PAYSTATIONS				
	7999.99	NON-REG INCOME SUMMARY CURRENT				
Grand Totals:						

Selection Criteria:

Account No. Begin: 1120.3

Period: 13 to 13

Account No. End: 99999.99999

Year: 2009

Suppress Zero Balances: Yes

Suppress Inactive Zero Balances: No

Dec-09

ACCESS LINE COUNT

EXCHANGE R-1 B-1 B-MULTI TRNK DID PAY EMP OFFCL PGRS TOTAL WTAP 504 DSL

804

