
**WASHINGTON UNIVERSAL SERVICE FUND
ADMINISTRATION AGREEMENT**

THIS AGREEMENT, made and executed to be effective the 6th day of July 2007, by and among WASHINGTON EXCHANGE CARRIER ASSOCIATION, a Washington non-profit corporation (hereinafter referred to as "WECA") and BEAVER CREEK TELEPHONE COMPANY, a Washington corporation (hereinafter referred to as the "Company"); WITNESSETH:

In consideration of the covenants, agreements and undertakings herein set forth and the mutual benefits to be derived herefrom, the parties hereto agree as follows:

I. Purpose and Scope.

The purpose of this Agreement is to establish the terms and conditions for the pooling and distribution of the Universal Service Fund ("USF") element of intrastate access service charges as authorized by the Washington Utilities and Transportation Commission in its consolidated Cause Nos. U-85-23, *et al.* (hereinafter referred to as "Cause No. U-85-23"), in accordance with the guidelines expressed in the Eighteenth Supplemental Order and Nineteenth Supplemental Order entered in Cause No. U-85-23 (hereinafter referred to as "U-85-23 Orders").

II. Definitions.

For the purposes of this Agreement, the following terms shall have the following meanings:

A. Access Line

Any line, trunk or other form of connection for the provision of local or intrastate telecommunications services as defined by WECA consistent with the U-85-23 Orders.

B. Access Minutes

The sum of intrastate originating and terminating access minutes as determined using the definitions and procedures set forth in tariff FCC No. 1 of the National Exchange Carrier Association ("NECA") in effect as of January 1, 1987.

C. Average Schedule Company

Any Washington local exchange company that develops its revenue requirement on the basis of average schedules.

D. Board of Directors

The Board of Directors of WECA duly elected as prescribed in its Articles of Incorporation and Bylaws.

E. Commission

The Washington Utilities and Transportation Commission.

F. Exchange

A specified geographical area within which the LEC furnishes local exchange service.

G. Interexchange Carrier ("IXC")

Any individual, partnership, association, corporation or similar entity engaged for hire in the provision of intrastate telecommunications between two or more exchanges, including, without limitation, any LEC engaged in the provision of both local exchange service and long distance service between its exchanges and/or between its exchanges and the exchanges of other LECs.

H. Interexchange Traffic

Telecommunications traffic between Exchanges, other than traffic carried pursuant to Extended Area Service tariffs.

I. Local Exchange Company ("LEC")

The Company and any other individual, partnership, association, corporation or similar entity furnishing local exchange service to its customers in the

State of Washington, which is required to contribute to and/or is entitled to draw from the USF pursuant to the U-85-23 Orders.

J. LEC Loop Cost

An amount equal to twenty-five percent (25%) of the projected Unseparated NTS Revenue Requirement of each LEC for a specified period divided by that LEC's projected average number of access lines for the same period; provided, however, that for purposes of this Agreement, the Company's Loop Cost shall be assumed to be equal to the State Average LEC Loop Cost.

K. State Average LEC Loop Cost

An amount equal to twenty-five percent (25%) of the sum of the projected Unseparated NTS Revenue Requirements of all LECs for a specified period divided by the aggregate projected average number of access lines of all such LECs for the same period.

L. TS Shortfall Distribution

The distribution of USF pooled revenues to be made to a LEC in 1987 only pursuant to subparagraph VI.A.2 of this Agreement, to cover the traffic sensitive revenue shortfall identified in subparagraph VII.B.4 of this Agreement.

M. Universal Service Fund ("USF")

The pool of revenues derived from the application or imputation by LECs of the USF Rate, which shall be collected and administered pursuant to this Agreement in accordance with the U-85-23 Orders.

N. Unseparated Non-Traffic Sensitive Revenue Requirement ("Unseparated NTS Revenue Requirement")

~~For all companies except Average Schedule Companies, the Unseparated NTS Revenue Requirement shall be an amount equal to the projected intrastate toll revenue requirement for the Common Line rate element as defined in Parts 67 and 69 of the Rules and Regulations of the Federal Communications Commission, as modified for intrastate application by the U-85-23 Orders, divided by the effective intrastate toll allocator used to determine such projected intrastate toll revenue requirement. For Average Schedule Companies, the Unseparated NTS Revenue Requirement shall be an equal amount to the sum of the projected equivalent of sixty percent (60%) of the A-1 Schedule amounts payable or that would be payable according to average schedules projected to be in effect for average~~

schedule settlements plus sixty percent (60%) of the unamortized investment and expenses of embedded customer premises equipment as described in the decision and order adopted February 24, 1982, and released February 26, 1982, in Federal Communications Commission Docket No. 80-286, said sum being then divided by 0.25.

O. USF Administration Committee

A committee comprised of nine members of the Board of Directors appointed as provided in the WECA Bylaws to govern the administration of the USF.

P. USF Administrator

WECA, acting through the USF Administration Committee of its Board of Directors and such other person, persons or entity with whom WECA may contract to perform administrative functions covered by this Agreement under the control and at the direction of the USF Administration Committee.

Q. USF Distribution

The distribution of USF pooled revenues to be made to the LEC pursuant to subparagraph VI.A.3 of this Agreement.

R. USF Rate

The USF element (or equivalent portion of the Carrier Common Line rate) of each LEC's intrastate access service tariff or price list developed as provided in this Agreement.

S. USF Revenue Requirement

The amount by which the LEC Loop Cost of each LEC exceeds one hundred fifteen percent (115%) of the State Average LEC Loop Cost.

III. Administration.

All USF administration functions covered by this Agreement shall be the responsibility of and controlled by WECA consistent with the terms and provisions of the U-85-23 Orders.

IV. Responsibilities and Covenants of WECA.

WECA, as the USF Administrator, agrees as follows:

- A. To collect, hold for safekeeping and temporarily invest, if deemed appropriate by the Board of Directors, all amounts remitted by LECs to WECA as proceeds from application or imputation of the USF Rate, and any and all earnings thereon;
- B. To prepare and provide to each LEC, not later than the tenth (10th) business day of each month, a statement reflecting current and year-to-date cumulative revenues received by WECA and distributions made and to be made thereof as provided in this Agreement (a "billing statement");
- C. To make distributions from the USF to eligible LECs as provided in this Agreement on or before the twentieth (20th) business day of each month unless otherwise directed by WECA;
- D. To maintain adequate records reflecting the operations of WECA and the administration of the USF;
- E. To collect, compile and analyze all required information, and to determine therefrom which LECs qualify for USF distributions and the distribution ratio for each such LEC;
- F. To collect, compile and analyze all required information, and to determine therefrom the USF Rate to be applicable for such periods as may be directed by WECA;
- G. To advise the Company in writing of any new USF Rate determined as provided in this Agreement not less than seventy-five (75) days prior to the intended effective date of such USF Rate and to furnish the Company therewith a summary of the data supporting such new USF Rate in the format set forth in Appendix 1 attached hereto or such other format as may hereafter be mutually agreed upon by the Company and WECA; and
- H. To comply with all applicable laws and governmental agency orders, rules and regulations, including without limitation, all applicable orders, rules and regulations of the Commission.

V. Responsibilities and Covenants of the Company.

Company hereby agrees as follows:

- A. To collect from all Interexchange Carriers an amount equal to the USF Rate for each intrastate Access Minute within the Company's Exchanges;

- B. To impute to itself, with respect to its own Interexchange Traffic, if any, an amount equal to the USF Rate developed as provided in this Agreement for each intrastate Access Minute;
- C. To provide to WECA on or before the fifth (5th) business day of each month, or such other day each month as the parties may hereafter agree upon, in such form as may be prescribed from time to time by WECA, the Company's total number of Access Minutes and the amount of the USF charges billed and/or imputed by the LEC for the preceding month and such additional data as may reasonably be required by WECA to enable it to determine and verify the amount of USF funds to be collected and distributed by it for such period;
- D. To remit to WECA, in such manner and at such times as shall be required to result in funds being immediately available to WECA on the twentieth (20th) business day of each month, all amounts collected or imputed as provided in subparagraphs V.A and V.B hereinabove for the immediately preceding month;
- E. To make available to WECA upon request therefor, such supporting documentation as may reasonably be required by WECA to resolve questions concerning the data required to be reported pursuant to subparagraph V.C hereinabove;
- F. To identify to WECA, in such form, at such time and for such periods as may reasonably be prescribed by WECA, the Company's projected Access Minutes for the period prescribed, together with such additional data as may reasonably be required to enable WECA to confirm the same and to enable WECA to develop the USF Rate and to determine those LECs eligible for distributions pursuant to this Agreement and the distribution ratios therefor; provided, however, that, for purposes of this Agreement, the Company's Loop Cost shall be assumed to be equal to the State Average LEC Loop Cost; and
- G. To file not less than thirty (30) days prior to the intended effective date indicated by WECA, and to maintain USF tariff or price list rates equal to those determined from time to time by WECA as provided in this Agreement, subject only to the provisions of paragraph VIII of this Agreement.

VI. USF Distributions.

- A. Commencing May 29, 1987, all pooled revenues reported to the USF pursuant to subparagraph V.C hereinabove, together with all investment earnings, if any, shall be distributed from the USF on the twentieth (20th) business day of each month in the following order:

1. Expenses of Administration. WECA shall be reimbursed monthly for the reasonable expenses of administration incurred pursuant to a budget approved by the Board of Directors. The reasonable expenses of administration shall include, but not be limited to, WECA's operational expenses, the out-of-pocket expenses incurred by the Board of Directors, the amount paid to others with whom WECA has contracted to perform certain administrative, examination and audit functions, interest expense and the repayment of principal on temporary loans incurred by WECA to make timely distributions as provided in this Agreement, the cost of insuring WECA and its Board of Directors against liability for errors and omissions arising out of the performance of WECA's duties as the USF Administrator, the cost of insuring parties with whom WECA has contracted to perform certain administrative and audit functions against claims arising out of the performance of their duties in such capacity, and such other insurance that shall be deemed appropriate by the Board of Directors. WECA shall cause a statement of administrative, examination and operational expenses incurred during each month to be prepared by the tenth (10th) business day of the next succeeding calendar month.
2. TS Shortfall Distribution to LECs. For the calendar year 1987 only, to each LEC having a traffic sensitive shortfall amount recognized pursuant to subparagraph VII.B.5 hereinbelow, one-twelfth (1/12) of such amount.
3. USF Distribution to LECs. The remainder of the USF shall be distributed among each of the LECs whose LEC Loop Cost is determined by WECA to be greater than 115% of the State Average LEC Loop Cost (an "eligible USF Distributee"), based on the ratio that each LEC's USF Revenue Requirement bears to the aggregate USF Revenue Requirement of all eligible USF distributees. In the event an LEC is netting USF distributions (including TS Shortfall Distribution, if any) against amounts to be remitted to WECA as provided in this Agreement, only the net USF distribution distributable each month shall be actually disbursed to such LEC.

- B. In the event that the USF funds immediately available to WECA (including the proceeds of temporary loans to WECA from third parties, if any) are insufficient to make timely distributions as provided in subparagraph VI.A hereinabove, WECA shall first pay administrative expenses in full, and then distribute a pro-rata share of the remaining available funds to the LECs. Each LEC's pro-rata share of remaining available funds shall be computed by determining the ratio of the funds available to the aggregate amount of net distributions to be made to the LECs, and then applying that ratio to the net distributable amount determined to be due each LEC. If the full amount

determined to be distributable to each LEC is not paid as a result of a pro-rata distribution of available funds as provided in this subparagraph, the remaining net amounts due the LEC shall be reflected in the cash flow calculations for the next succeeding month or months and shall be disbursed in such month or months as cash is available.

- C. The LEC revenue requirements used to develop the State Average LEC Loop Cost and the LEC Loop Cost utilized for purposes of determining the LECs eligible for USF distributions and the amounts distributable to each such LEC, shall be the same LEC revenue requirements used to develop the USF Rate then in effect unless and until WECA shall prescribe, without discrimination, the use of a different revenue requirement for any or all LECs.
- D. The TS Shortfall Distributions to each LEC shall be computed on the basis of the traffic sensitive shortfall amount included for such LEC in the development of the USF Rate then in effect unless and until WECA shall prescribe otherwise.

VII. Development of USF Rate.

- A. The initial USF Rate for purposes of this Agreement shall be \$0.00152.
- B. Not less frequently than annually, WECA shall determine the USF Rate for such periods as WECA may reasonably determine to be appropriate, based on the data furnished by the Company and other LECs, as follows:
 - 1. The projected State Average LEC Loop Cost for the prospective tariff period prescribed by WECA shall be multiplied by 1.15;
 - 2. The product determined in subparagraph VII.B.1 above shall then be subtracted from the projected LEC Loop Cost of each LEC for the same prospective tariff period;
 - 3. For each LEC with respect to which the remainder determined in subparagraph VII.B.2 above is positive, such remainder shall be multiplied by the projected average number of Access Lines of such LEC for the same prospective tariff period;
 - 4. All of the products determined in subparagraph VII.B.3 above shall then be summed and the resultant sum shall then be increased by the estimated USF administration expense for the applicable period and, for such periods occurring during the 1987 calendar year only, by the estimated aggregate amount of intrastate interLATA traffic sensitive switched access revenue shortfall that will be experienced during the applicable period by those LECs having an intrastate tariff containing

traffic sensitive switched access rates reflective of NECA interstate traffic sensitive switched access rates; and

5. The amount determined in subparagraph VII.B.4 above shall then be divided by the projected access minutes of all LECs during the applicable period, and the resulting quotient is the USF Rate.

VIII. USF Rate Tariff Filing.

In the event the Company determines that it cannot or will not file a tariff or price list incorporating a new USF Rate developed by WECA, the Company shall, in writing, give notice of such determination and the reasons therefor to WECA within fifteen (15) days of the date it receives written notice of such USF Rate from WECA. Within fifteen (15) days after WECA receives any such notice from the Company, WECA shall review its development of the USF Rate in question and advise the Company in writing of its confirmation of the same or any revision thereof. In the event WECA shall confirm the new USF Rate as previously determined or fail to advise the Company of its confirmation or revision of such rate within fifteen (15) days after receiving the Company's said notice, the Company may petition the Commission for relief from its obligation to file a tariff or price list incorporating such new USF Rate; provided, however, any such petition shall be filed within fifteen (15) days after expiration of the 15-day WECA response period, whichever date shall occur earlier. In the event the Company does not give notice to WECA as provided in this paragraph or in the event the Company, having given such notice, does not petition the Commission for relief as provided in this paragraph, then in each and every such event the Company shall be deemed to have waived any and all objection to such new USF Rate as developed by WECA.

IX. Fiduciary Capacity and Responsibility.

All funds received by WECA pursuant to this Agreement, including earnings on temporary investments of such funds, if any, shall be held and distributed by WECA in a fiduciary capacity for the account of all LECs contracting with WECA for administration of the USF. WECA may temporarily invest such funds in such investment instruments as the Board of Directors shall, in their sole discretion, determine to be appropriate. All such funds shall be deposited in a bank account or accounts and invested in investment instruments carried in the name of WECA. All such bank account(s) and investment instruments shall be special purpose accounts and investments which shall contain only amounts received and held to implement the provisions of this Agreement, plus any earnings thereon, and shall be used only as provided in this Agreement. Pursuant to the authorization and direction of its Board of Directors and acting in WECA's name alone, WECA may borrow funds from time to time if reasonably required to effect timely distributions as provided in this Agreement and to finance WECA's operations. All funds received and held by WECA shall be applied for the purposes and in the priority set forth in paragraph VI of this Agreement.

X. Access to Records.

- A. WECA shall have the right, upon reasonable notice to the Company, to examine the Company's books and records to confirm the amounts required

to be collected (or imputed) and remitted to WECA as provided in this Agreement and to the extent reasonably necessary to confirm the data furnished by the Company which is utilized to determine USF distribution ratios and to develop USF Rates as provided in this Agreement.

- B. The Company shall have the right to inspect and copy, at its expense and at reasonable times, the records maintained by WECA for the administration of the USF; provided, however, the Company shall not be granted access to the proprietary information of another LEC without first obtaining written authorization for the release of such information from the LEC concerned.
- C. The Company shall have the right to conduct, at its sole expense, such reviews and audits of WECA's records as are reasonably necessary to verify the accuracy and reasonableness of distributions to the Company; provided, however, the Company shall not be granted access to the proprietary information of another LEC without first obtaining written authorization for the release of such information from the LEC concerned.
- D. All records developed and maintained pursuant to this Agreement shall be retained for such periods as may be prescribed by the Board of Directors or the rules and regulations of the Commission.
- E. WECA shall exercise its rights under this paragraph either through the use of outside auditors or through the use of employees of WECA who are not employees or affiliated with WECA member companies.

XI. Proprietary Information.

All information disclosed by the Company to WECA pursuant to this Agreement shall be used by WECA solely for the purposes of implementing the terms of this Agreement and such information shall be deemed to be the confidential and proprietary information of the Company. Except as provided in paragraph X hereinabove, WECA shall not release or disseminate any company specific information furnished to it by the Company unless the release or dissemination of such information is expressly authorized in writing by the Company or such information is released pursuant to appropriate legal process. In the event WECA is served with legal process demanding disclosure of the Company's confidential and proprietary information, WECA shall extend its best efforts to notify the Company promptly of such process in order to permit the Company to seek a protective order or to take such other action as the Company might deem appropriate under the circumstances.

WECA shall review Company proprietary information only through the use of WECA personnel who are not employees of any WECA member, except to the extent that the proprietary information is reviewed by WECA Board members and such Board

members shall review that information solely in their capacity as WECA Board members as reasonably necessary to fulfill their duties as Board members and may not take copies of Company proprietary information away from WECA Board meetings.

XII. Reporting Failures.

In the event the Company shall fail to report the data required by WECA to implement the terms of this Agreement, WECA may use for settlement computation and revenue distribution purposes, at its option: (i) forecast data previously provided by the Company, or (ii) estimated data approved by the USF Administration Committee.

XIII. Dispute Resolution.

The Company may petition the USF Administration Committee for a redetermination of any computation made to implement the provisions of this Agreement. If the Company is dissatisfied with the disposition of its petition by the USF Administration Committee, the Company may petition the Commission for a ruling on such computation.

XIV. Third Party Beneficiaries.

The Company acknowledges that this Agreement is made for the sole benefit of all LECs contracting with WECA to administer the USF and their respective successors and assigns. The Company agrees that WECA, as administrator of the USF, shall have legal standing to assert any claims of such LECs.

XV. Non-Estoppel.

Nothing contained in this Agreement shall be deemed or construed to limit the rights, if any, of either party, to apply to the Commission for any prospective modification of the U-85-23 Orders or other USF mechanisms or the administration thereof.

XVI. Notices.

Except as otherwise expressly provided herein, all notices, demands or communications required hereunder shall be given in writing by delivering the same in person or by depositing the same in the United States mail, postage prepaid and addressed to the party concerned by the party giving the notice. Unless and until a different designation be made, such address shall be the address set forth for such party on the signature page of this Agreement.

XVII. Survival of Obligations.

In the event that this Agreement shall be terminated as provided herein, the obligations and liabilities of each party in existence on the effective date of such termination shall continue as obligations or liabilities of said party; provided, however, the rights and obligations of WECA shall continue until the earlier of six (6) months following the effective date of termination of this Agreement or for so long as is reasonably necessary to accomplish the purposes stated herein.

XVIII. Term.

This Agreement shall become effective as of the date first set out above, and shall continue in effect thereafter unless and until:

- A. The Commission shall enter an order finding and ordering that the USF is no longer required to serve the public interest, or
- B. The Commission shall enter an order finding and ordering that WECA shall no longer administer the USF.
- C. Three years from the date first set out above, provided that this Agreement shall be automatically renewed for additional, successive one-year terms unless either party to this Agreement delivers written notice of termination not more than 60 days and not less than 180 days prior to the end of the original or any renewed term.

XIX. Amendments and Waivers.

This Agreement, or any part hereof, may be amended or modified only by an instrument in writing signed by both parties. No amendment, modification or waiver of any provision of this Agreement, and no consent to any default under this Agreement, shall be effective unless and until the same shall have been reduced to writing and signed by the party against whom such amendment, waiver or consent is claimed. No waiver of any breach or default hereunder shall be deemed a waiver of any other breach or default, whether or not of the same or similar nature.

XX. Severability.

If the Commission modifies any provisions of the U-85-23 Orders or if any of the provisions of the U-85-23 Orders or this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction and such modification, invalidity or unenforceability shall materially impair achieving the purpose and intent of this Agreement, then this entire Agreement shall be invalid and unenforceable. Otherwise, this Agreement shall be construed as if not containing the particular

provision or provisions hereof held to be invalid or unenforceable and the rights and obligations of the parties shall be construed and enforced accordingly.

XXI. Successors and Assigns.

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

XXII. Applicable Law.

This Agreement is made under and shall be construed in accordance with the laws of the State of Washington.

XXIII. Executed Counterparts.

This Agreement may be executed in any number of counterparts each of which shall be an original and all such counterparts shall together constitute this Agreement.

XXIV. Headings.

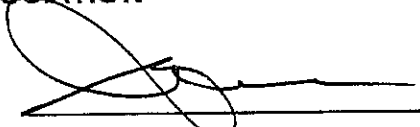
The headings in this Agreement are for convenience only and shall not be construed to define or limit any of the terms herein or affect the meaning or interpretation of this Agreement.

XXV. Eligibility to Receive USF.

If the Company desires to seek to draw from the USF, it may do so upon the following conditions: (1) receipt of approval to draw from the USF by written order from the Commission; (2) modification of the Agreement to require the Company to provide the same level of supporting information as others who draw from the USF; and (3) approval of a new WECA tariff rate which incorporates the Company's costs into the USF rate.

IN WITNESS WHEREOF, the parties have made and executed this Agreement in counterparts to be effective the day and year first above written.

WASHINGTON EXCHANGE CARRIER ASSOCIATION

By: 

Title: PRESIDENT

Date: 7/10/2007

BEAVER CREEK TELEPHONE COMPANY

By: 

Title: Vice-Pres, Manager

Date: July 6, 2007

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