

Stayton Cooperative Telephone Company

FIVE YEAR SERVICE QUALITY IMPROVEMENT PLAN

PREAMBLE

This 5 year improvement plan is a section of the Company's 2014 Annual Report. It is in compliance with § 54.313(a)(1) adopted in the FCC's USF/ICC Transformation Order (11-161). This document also incorporates further clarifications identified in subsequent Reconsideration Orders, as applicable, in effect prior to the filing of the Annual Report.

Stayton Cooperative Telephone Company (SCTC) has carefully developed its improvement plan, concentrating on the delivery and continuation of a robust network which provides, at a minimum, the federally required voice and broadband connectivity as stipulated by regulatory rule. In certain situations (and as noted herein), the plan may also incorporate specific state requirements.

SCTC advises that this improvement plan has been carefully crafted, matching measured network deployment, improvement and quality service levels with known financial implications of the Transformation Order upon the company's support cash-flows. The uncertainty of such cash flows being received in the outer-years as a result of current and potential regulatory action on rural rate-of-return carriers has resulted in the Company taking a balanced yet realistic approach.

The environment in which the Company operates remains dynamic, not static. As a result, SCTC reserves the opportunity to modify its plan in response to further regulatory decisions as they are adopted, and their implication upon the Company's financial viability in providing the required services and service level quality becomes known.

SCTC will re-evaluate this plan on an annual basis. Action, however, may also be taken abruptly on the presented plan for both current and outer years in the event of evolving regulatory conditions and/or changes in technology (vendor)-driven support. All adjustments to the improvement plan in this document will be reflected and explained in subsequent annual reports.

OVERVIEW

SCTC, as an Eligible Telecommunications Carrier (ETC) provides Universal Service supported services to approximately 4,000 customers in five exchanges covering approximately 106 square miles.

Consistent with Commission requirements, this Service Quality Improvement Plan addresses only SCTC's regulated eligible telecommunications carrier operations.¹ A detailed description of SCTC's plans for the provision of the supported services in the five-year period starting with January 2015 is provided herein.

¹Per 47 C.F.R. § 54.314, federal USF support, "will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." If investments or expenses are for service areas larger than the supported service areas, then allocations of the expenditures are required.

Per the Universal Service Administrative Company (USAC), during the calendar year 2013, SCTC received a total of \$3,059,622 (as of 6/1/14) in USF support funds. The breakdown of the funding for the year was:

- \$1,378,440 High Cost Loop Support,
- \$ -153,018 Local Switching Support
- \$ 446,490 Connect America Fund-Intercarrier Compensation Support
- \$1,387,710 Interstate Common Line Support
- \$ 0 Safety Net Additive

All funds were used in 2013 to both: 1) maintain, upgrade, and improve the Company's network and, 2) cover its operating expenses and debt commitments as necessary to permit it to offer a high level of service for both voice and broadband throughout its service area.

IMPROVEMENT PLANS BY YEAR (2015-2019 inclusive)

Summary descriptions of network improvements planned for the next five years in accordance with Part 54.202(a)(1)(ii) and Part 54.313(a)(1) by year and by exchange are presented below. Where available, area and subscribers impacted by the improvements are identified.

- Network improvement expenditures identify the cost to provide those services supported by the universal service funding mechanisms. When a project involves expenditures for both regulated and non-regulated services, the non-regulated investment costs have been removed. The Company estimates non-regulated costs using the appropriate allocation rules. Details of those costs are retained by the Company and available for inspection.
- Costs are reported only for those service areas in which the Company is authorized to receive USF funding.

Due to the current uncertainty of the amounts of support funds the company may receive in future years, SCTC advises the Commission that the deployment of specific network improvement projects may be modified, and the meeting of projected service goals muted, to accommodate the actual amount of support that will be received.

SUMMARY DISCUSSION OF PLANS BY YEAR

2015

Anderson Road Project: For 2015, SCTC intends to use operating cash flow (this and all further references to "operating cash flow" includes the use of USF support funds) to deploy active Ethernet Fiber to the Home in the Anderson Road area of Sublimity Oregon.

The Anderson Road Project cost is estimated at \$599,070. The project involves placement of approximately 2.1 miles conduit/micro-duct and 3.2 route miles of fiber to 50 subscribers currently served over copper. When complete, these 50 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 18 broadband subscribers with minimum broadband speeds of 1 MB upstream/8 MB downstream. SCTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home services.

Miscellaneous Outside Plant Construction: For 2015, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the in various areas of the Stayton, Oregon exchange.

SCTC expects to spend \$100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2015 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Central Office Expenditures: For 2015, SCTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Stayton, Sublimity and Marion Central offices.

SCTC expects to spend \$216,000 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, Remote DSLAM units, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers. The self-contained Remote DSLAM units are capable of providing both ASDSL2+ (at speeds up to 1 MB upstream and 20 MB downstream) and VDSL services (at speeds up to 50 MB upstream and 100 MB downstream) in the more remote areas where mainline fiber exists but fiber distribution plant does not. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

General Expenditures: In 2015 the Company expects to spend \$84,000 to purchase 2 vehicles to replace aging vehicles in the company fleet, \$50,000 for various test and work equipment and \$20,000 for computer network and desktop hardware.

2016

Golf Club Road: For 2016, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the Golf Club Road area of Stayton Oregon.

The Golf Club Road Project cost is estimated at \$714,200. The project involves placement of approximately 1.3 miles conduit/micro-duct and 3.4 route miles of fiber to 65 subscribers currently served over copper. When complete, these 65 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 18 broadband subscribers with minimum broadband speeds of 1 MB upstream/8 MB downstream. SCTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home services.

Miscellaneous Outside Plant Construction: For 2016, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the in various areas of the Stayton, Oregon exchange.

SCTC expects to spend \$100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2016 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Central Office Expenditures: For 2016, SCTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Stayton, Sublimity and Marion Central offices.

SCTC expects to spend \$223,500 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, Remote DSLAM units, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers. The self-contained Remote DSLAM units are capable of providing both ADSL2+ (at speeds up to 1 MB upstream and 20 MB downstream) and VDSL services (at speeds up to 50 MB upstream and 100 MB downstream) in the more remote areas where mainline fiber exists, but fiber distribution plant does not. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

General Expenditures: In 2016 the Company expects to spend \$84,000 to purchase 2 vehicles to replace aging vehicles in the company fleet, \$50,000 for various test and work equipment and \$20,000 for computer network and desktop hardware.

2017

Kingston/Lyons Road from Stayton/Scio Road to Sunset Road: For 2017, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the Kingston/Lyons Road from Stayton/Scio Road to Sunset Road area of Stayton Oregon.

The Kingston/Lyons Road from Stayton/Scio Road to Sunset Road Project cost is estimated at \$754,950. The project involves placement of approximately 2.6 miles conduit/micro-duct and 3.2 route miles of fiber to 28 subscribers currently served over copper with minimum broadband speeds of 1 MB upstream/8 MB downstream. When complete, these 28 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 13 broadband subscribers. SCTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home services.

Miscellaneous Outside Plant Construction: For 2017, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the in various areas of the Stayton, Oregon exchange.

SCTC expects to spend \$100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2017 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Central Office Expenditures: For 2017, SCTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Stayton, Sublimity and Marion Central offices.

SCTC expects to spend \$205,000 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, Remote DSLAM units, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers. The self-contained Remote DSLAM units are capable of providing both ADSL2+ (at speeds up to 1 MB upstream and 20 MB downstream) and VDSL services (at speeds up to 50 MB upstream and 100 MB downstream) in the more remote areas where mainline fiber exists, but fiber distribution plant does not. These potential customers currently have a minimum broadband speed of 1 MB upstream/8 MB downstream.

General Expenditures: In 2017 the Company expects to spend \$50,000 for various test and work equipment and \$20,000 for computer network and desktop hardware.

2018

Cole School Road: For 2018, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the Cole School Road area of Stayton Oregon.

The Cole School Road Project cost is estimated at \$897,330. The project involves placement of approximately 2.9 miles conduit/micro-duct and 5 route miles of fiber to 32 subscribers currently served over copper. When complete, these 32 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 18 broadband subscribers with minimum broadband speeds of 1 MB upstream/8 MB downstream. SCTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home services.

Miscellaneous Outside Plant Construction: For 2018, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the in various areas of the Stayton, Oregon exchange.

SCTC expects to spend \$100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2018 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Central Office Expenditures: For 2018, SCTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Stayton, Sublimity and Marion Central offices.

SCTC expects to spend \$207,000 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, Remote DSLAM units, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers. The self-contained Remote DSLAM units are capable of providing both ASDSL2+ (at speeds up to 1 MB upstream and 20 MB downstream) and VDSL services (at speeds up to 50 MB upstream and 100 MB downstream) in the more remote areas where mainline fiber exists, but fiber distribution plant does not. These potential customers currently have a minimum broadband speed of 1 MB upstream/8 MB downstream.

General Expenditures: In 2018 the Company expects to spend \$50,000 for various test and work equipment and \$20,000 for computer network and desktop hardware.

2019

Fern Ridge Road to Eastern Boundary: For 2019, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the Fern Ridge Road to Eastern Boundary area of Stayton Oregon.

The Fern Ridge Road to Eastern Boundary Project cost is estimated at \$650,130. The project involves placement of approximately 3 miles conduit/micro-duct and 10 route miles of fiber to 24 subscribers currently served over copper. When complete, these 24 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 14 broadband subscribers with minimum broadband speeds of 1

MB upstream/8 MB downstream. SCTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home services.

Miscellaneous Outside Plant Construction: For 2019, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the in various areas of the Stayton, Oregon exchange.

SCTC expects to spend \$100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2019 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Central Office Expenditures: For 2019, SCTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Stayton, Sublimity and Marion Central offices.

SCTC expects to spend \$203,000 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, Remote DSLAM units, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers. The self-contained Remote DSLAM units are capable of providing both ASDSL2+ (at speeds up to 1 MB upstream and 20 MB downstream) and VDSL services (at speeds up to 50 MB upstream and 100 MB downstream) in the more remote areas where mainline fiber exists, but fiber distribution plant does not. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

General Expenditures: In 2019 the Company expects to spend \$50,000 for various test and work equipment and \$20,000 for computer network and desktop hardware.



SCTC
Your Local Internet Provider

www.sctcweb.com

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P.O. Box 477

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Consumer Protection

Stayton Cooperative Telephone Company complies with the requirements of 47 CFR Part 64 Subpart U, Customer Proprietary Network Information to prevent identity theft. A manual for this program is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the program as required by their job functions.

Service Quality Standards

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

Enhanced Telephone

Cellular

High Speed Broadband Internet

Long Distance

Back-up Power

Stayton Cooperative Telephone Company has the following back-up power capabilities:

Switches – stand alone and/or host

Stayton Switch	Battery backup – 13 hours Emergency generator – Diesel 180K, 600 gallons, 40 hours
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Remote Central Offices

Sublimity	Battery backup – 6 hours Emergency generator – Diesel 150K, 80 gallons, 10 hours
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Marion	Battery backup – 8 hours Emergency generator – Diesel 135K, 250 gallons, 20 hours
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Subscriber carrier (DLC, AFC, OPM, etc.)

All carrier locations are provisioned with battery backup of at least 8 hours of functionality. Portable generators are on hand, in case of prolonged outages, that are capable of keeping systems in operation.

Network Interface Devices (NIDs)

Customers with metallic (copper) connections are provisioned with NIDs that are powered from the Central Office.

Customers with non-metallic (fiber optic) connections are provisioned with NIDs that are battery powered in case of emergency. The batteries are rated to last 8 to 10 hours.

Ability to reroute traffic around damaged facilities:

Stayton Cooperative Telephone Company has redundant facilities connecting its exchange to the Public Switched Telephone Network. This redundant facility is in the form of a SONET ring with alternate physical facilities between Stayton Cooperative Telephone Company, Frontier Communications and CenturyLink, Inc., its interconnection to the Public Switched Telephone Network.

Capability to manage traffic spikes resulting from emergency situations

Stayton Cooperative Telephone Company has 4,612 lines, switching capacity to handle all lines and transport capacity to handle approximately 2,000 outgoing calls. Stayton Cooperative Telephone Company takes no responsibility for the capabilities of interconnected networks to manage traffic spikes resulting from emergency situations, but will continue its best efforts for its networks during such events.



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

Enhanced Telephone

Cellular

High Speed Broadband Internet

Long Distance



**STAYTON COOPERATIVE TELEPHONE
COMPANY AND SUBSIDIARIES**

**Consolidated Financial Statements
with Supplemental Information**

Years Ended December 31, 2013 and 2012



STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Consolidated Financial Statements with Supplemental Information

Years Ended December 31, 2013 and 2012

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors
Stayton Cooperative Telephone Company and Subsidiaries
Stayton, Oregon

We have audited the accompanying financial statements of Stayton Cooperative Telephone Company (an Oregon cooperative corporation) and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, changes in 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 in 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.

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 Stayton Cooperative Telephone Company and Subsidiaries as of December 31, 2013 and 2012, 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.

REPORT ON CONSOLIDATING INFORMATION

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules I-III are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating financial information has been subject to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

AKT LLP

Salem, Oregon
March 11, 2014

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AKT LLP

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents	\$ 2,695,248	\$ 1,656,069
Marketable securities	480,550	505,553
Accounts receivable, less allowance for doubtful accounts of \$7,000 in 2013 and 2012	4,044,235	2,300,338
Current portion of notes receivable	2,862	2,669
Materials and supplies	636,546	672,493
Deferred income taxes	1,283	-
Prepaid expenses	<u>504,728</u>	<u>373,775</u>
Total Current Assets	<u>8,365,452</u>	<u>5,510,897</u>
Other Assets and Investments:		
Nonutility property	650,051	534,703
Notes receivable	90,480	93,340
Other investments	1,191,791	1,301,171
Deferred income taxes	212,800	169,800
Other assets	<u>1,253,561</u>	<u>1,079,584</u>
Total Other Assets and Investments	<u>3,398,683</u>	<u>3,178,598</u>
Property, Plant, and Equipment:		
Telecommunications	55,035,219	58,207,312
Under construction	<u>-</u>	<u>11,636</u>
Total Property, Plant, and Equipment	55,035,219	58,218,948
Less accumulated depreciation	<u>28,514,859</u>	<u>31,061,001</u>
Property, Plant, and Equipment, net	<u>26,520,360</u>	<u>27,157,947</u>
Total Assets	<u>\$ 38,284,495</u>	<u>\$ 35,847,442</u>

LIABILITIES AND MEMBERS' EQUITY	<u>2013</u>	<u>2012</u>
Current Liabilities:		
Current portion of long-term debt	\$ 937,500	\$ 937,500
Accounts payable	295,181	335,353
Patronage capital payable	140,570	30,452
Accrued expenses	1,578,281	1,348,914
Advanced Billing	437,806	446,037
Income taxes payable	-	35,636
Deferred income taxes	-	3,987
Deferred revenue	-	25,954
Total Current Liabilities	<u>3,389,338</u>	<u>3,163,833</u>
Long-Term Debt	<u>3,750,000</u>	<u>4,687,500</u>
Other Liabilities:		
Deferred credits	958,748	816,056
Deferred revenue	-	56,235
Total Other Liabilities	<u>958,748</u>	<u>872,291</u>
Total Liabilities	<u>8,098,086</u>	<u>8,723,624</u>
Members' Equity:		
Memberships	26,568	26,392
Patronage capital	30,161,766	27,091,446
Accumulated other comprehensive income (loss)	(1,925)	5,980
Total Members' Equity	<u>30,186,409</u>	<u>27,123,818</u>
Total Liabilities and Members' Equity	<u>\$ 38,284,495</u>	<u>\$ 35,847,442</u>

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Consolidated Statements of Operations

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Local network	\$ 1,689,580	\$ 1,895,310
Network access	8,882,643	8,113,132
Internet	738,395	995,430
Long distance	280,656	302,093
Other operating – regulated	509,095	451,982
Other operating – nonregulated	<u>292,314</u>	<u>310,101</u>
Total Operating Revenues	<u>12,392,683</u>	<u>12,068,048</u>
Operating Expenses:		
Plant specific	1,814,737	1,665,450
Plant nonspecific	1,391,186	1,263,839
Customer	748,908	850,398
General and administrative	2,174,529	2,232,755
Depreciation and amortization	3,264,016	3,470,925
Other operating – nonregulated	338,743	312,805
Other taxes	442,121	427,179
Income tax provision	<u>386,200</u>	<u>316,600</u>
Total Operating Expenses	<u>10,560,440</u>	<u>10,539,951</u>
Operating Margin	1,832,243	1,528,097
Other Income and Expenses, net	<u>1,954,838</u>	<u>978,109</u>
Margin Available for Fixed Charges	3,787,081	2,506,206
Fixed Charges, interest on long-term debt	<u>289,710</u>	<u>356,608</u>
Net Margin	<u>\$ 3,497,371</u>	<u>\$ 2,149,598</u>

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Net Margin	\$ <u>3,497,371</u>	\$ <u>2,149,598</u>
Other Comprehensive Income:		
Unrealized gain (loss) on marketable securities	(17,373)	12,628
Reclassification adjustment for (gains) losses realized, net of tax	2,519	(9,580)
Deferred tax asset (liability) on unrealized gains (loss)	<u>6,949</u>	<u>(5,051)</u>
Total Other Comprehensive Loss	<u>(7,905)</u>	<u>(2,003)</u>
Total Comprehensive Income	\$ <u><u>3,489,466</u></u>	\$ <u><u>2,147,595</u></u>

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Consolidated Statements of Changes in Members' Equity

Years Ended December 31, 2013 and 2012

	Member- ships	Patronage Capital	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2011	\$ 26,269	\$ 25,045,296	\$ 7,983	\$ 25,079,548
Redemption of patronage capital	-	(111,619)	-	(111,619)
Decrease in other comprehensive income, net of income taxes	-	-	(2,003)	(2,003)
Excise Tax Refund	-	7,699	-	7,699
Other changes in memberships and patronage capital	123	472	-	595
Net margin	-	2,149,598	-	2,149,598
Balance, December 31, 2012	26,392	27,091,446	5,980	27,123,818
Redemption of patronage capital	-	(464,735)	-	(464,735)
Reclaimed checks	-	29,832	-	29,832
Decrease in other comprehensive income, net of income taxes	-	-	(7,905)	(7,905)
Excise tax refund	-	6,884	-	6,884
Other changes in memberships and patronage capital	176	968	-	1,144
Net margin	-	3,497,371	-	3,497,371
Balance, December 31, 2013	\$ <u>26,568</u>	\$ <u>30,161,766</u>	\$ <u>(1,925)</u>	\$ <u>30,186,409</u>

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Net margin	\$ 3,497,371	\$ 2,149,598
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	3,264,016	3,470,925
Nonregulated depreciation	720	720
Gain on investments and marketable securities	(72,273)	(68,631)
Gain on sale of asset	(1,826,435)	(746,375)
Change in other assets	(191,477)	(127,353)
Change in deferred credits	142,692	93,534
Change in deferred income taxes	(43,000)	(101,830)
Changes in assets and liabilities:		
Accounts receivable	(1,743,897)	(1,159,232)
Income tax receivable/payable	(35,636)	343,088
Materials and supplies	35,947	115,124
Prepaid expenses	(130,953)	(1,418)
Accounts payable	(40,172)	171,442
Accrued expenses	229,367	(34,864)
Advanced billings	(8,231)	(30,331)
Deferred revenue	(82,189)	(25,953)
	<u>2,995,850</u>	<u>4,048,444</u>
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Payments of note receivable	2,667	2,396
Purchase of property, plant, and equipment	(2,574,791)	(2,012,144)
Purchases of nonutility property	(150,206)	(100,719)
Proceeds from sale of investments and marketable securities	2,524,142	1,286,099
Purchase of investments and marketable securities	(558,393)	(461,453)
Patronage dividends received	54,167	51,433
	<u>54,167</u>	<u>51,433</u>
Net Cash Used by Investing Activities	\$ <u>(702,414)</u>	\$ <u>(1,234,388)</u>

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows, continued

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Financing Activities:		
Net change in line of credit	\$ -	\$ (500,000)
Payments on long-term debt and notes payable	(937,500)	(937,500)
Payments of capital credits, net	(323,817)	(113,674)
Net change in membership	176	123
Excise tax refunds received	6,884	7,699
Net Cash Used by Financing Activities	<u>(1,254,257)</u>	<u>(1,543,352)</u>
Net Increase in Cash and Cash Equivalents	1,039,179	1,270,704
Cash and Cash Equivalents, beginning	<u>1,656,069</u>	<u>385,365</u>
Cash and Cash Equivalents, ending	\$ <u>2,695,248</u>	\$ <u>1,656,069</u>
Cash Paid During the Year for Interest, net of amount capitalized	\$ <u>266,800</u>	\$ <u>351,967</u>
Cash Paid for Income Taxes	\$ <u>537,996</u>	\$ <u>3,502</u>
Noncash transactions (Note 5):		
Noncash proceeds on sale of investment	\$ -	\$ <u>146,625</u>
Contributions of fixed assets for additional equity investment	\$ -	\$ <u>3,350</u>

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

Stayton Cooperative Telephone Company (SCTC or the Company) is an Oregon cooperative corporation providing telecommunications, broadband and related services within and around the City of Stayton, Oregon. The wholly-owned subsidiary, SCS Communications & Security, Inc. (SCS) offers telecommunications and broadband services as a competitive local exchange carrier (CLEC) within and around the City of Aumsville, Oregon. People's Telephone Company (PTC), a wholly-owned subsidiary of SCS, is an Oregon corporation providing telecommunication and broadband services within and around the City of Lyons, Oregon.

Basis of Consolidation

The consolidated financial statements include the accounts of SCTC and its wholly-owned subsidiaries, SCS, and PTC. Intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The Company's financial statements are prepared on the accrual basis of accounting in conformity with the accounting principles generally accepted in the United States of America applicable to regulated enterprises.

Regulation

The Company is subject to limited regulation by the Public Utility Commission of Oregon (PUC) and the Federal Communications Commission (FCC). The Company maintains its accounting records in accordance with the Uniform System of Accounts, as prescribed by the Federal Communications Commission, and adopted by the PUC. As a result, the application of accounting principles generally accepted in the United States of America by the Company differs in certain respects from the application by non-regulated entities. Such differences primarily concern the time at which certain items enter into the determination of net margin.

Regulatory and legislative actions, as well as future regulations, could have a significant impact on the Company's future operations and financial condition. See Note 1, National Broadband Plan and FCC Order.

Estimates

The Company uses estimates and assumptions in preparing consolidated 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. Actual results could differ from these estimates.

Comprehensive Income

The Company reports comprehensive income. The purpose of reporting comprehensive income is to report all changes in equity of an enterprise that result from recognized transactions and other economic events of the period other than transactions with members in their capacity as members.

Income Taxes

The Company has been granted an exemption from Federal income taxes under Section 501(c)(12) of the Internal Revenue Code, except for "unrelated" business income. The Company is also exempt from state income taxes. However, in any year for which greater than 15% of gross revenue is derived from nonmember services, the Company becomes a taxable cooperative. Federal and state taxes payable by exempt cooperatives are computed differently from taxes payable by other corporations, primarily because cooperatives are allowed to deduct margins allocated to patrons within 8 1/2 months after the end of each taxable year. SCS and PTC are taxable corporations (see Note 8).

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Income Taxes, continued

The Company follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There were no amounts accrued in the consolidated financial statements related to uncertain tax positions.

The Company files federal, state and local income tax returns. With limited exceptions, the Company is no longer subject to examinations for years before 2010.

Revenue Recognition

The Company recognizes revenues when earned regardless of the period in which they are billed.

Monthly service fees derived from local telephone and internet service are billed in advance. Advance billings are recorded as a liability and subsequently transferred to income in the period earned. Access charges (see Note 1, Network Access Revenue), long distance and other revenues based on usage are billed in arrears.

Cash and Cash Equivalents

The Company considers all highly liquid investment securities with a maturity of 3 months or less to be cash equivalents. The Company maintains its cash and cash equivalents either in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor per bank. At December 31, 2013 the Company had uninsured cash of \$2,254,967 (none at December 31, 2012).

The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Marketable Securities

The Company has classified all marketable securities as available for sale. These investments are stated at fair value in the consolidated financial statements with accumulated unrealized gains and losses reported as a separate component of members' equity.

Accounts Receivable

The Company extends credit to its customers. An allowance for doubtful accounts is maintained, based upon management's review of the year-end accounts receivable aging and past credit and collections history. Receivables are written off when the Company determines an account is uncollectible. Past due status is determined based on the age of the past due account.

Fair Value of Financial Instruments

The Company's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, marketable securities, receivables, accounts payable, mortgage and notes payable. The Company estimates that the fair value of all of these non-derivative financial instruments, other than marketable securities (Note 2) at December 31, 2013 and 2012 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheets.

Materials and Supplies

Materials and supplies are stated at the lower of cost or market. Cost is determined principally by the average cost method.

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Property, Plant, and Equipment

Telecommunications plant in service and under construction is stated at cost, including estimated overhead expense. Depreciation is calculated on a straight-line basis over the estimated life of the classes of buildings and equipment in accordance with rates consistent with industry standards. Depreciation rates range from 2% to 20%. In accordance with composite group depreciation methodology and industry practice, when a portion of the Company's property, plant, and equipment is retired in the ordinary course of business, the gross book value, plus removal expenses, less salvage, is charged to accumulated depreciation and no gain or loss is recognized.

The Company follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. In 2013, total interest incurred was \$289,710 (\$356,608 in 2012) of which \$20,124 (\$21,165 in 2012) was capitalized.

Patronage Allocations

The net margin of the Company is allocated to its members annually, in proportion to the patron's annual charges for eligible services.

Network Access Revenues

Network access revenue is 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 has elected to file access tariffs through the National Exchange Carriers Association (NECA) and the Oregon Exchange Carriers Association (OECA). These access tariffs are subject to approval by the FCC for interstate charges and the PUC for intrastate charges.

When network access revenues have been received pursuant to the settlement and access agreements above, they 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 investments maintained.

SCTC and PTC participate in various pooling arrangements with the NECA and OECA. The OECA Optional pool closed in July 2013 and as a result the Company is no longer a member of any of the OECA pools.

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 up to 24 months (NECA pool only), are recorded in the year in which such adjustments become determinable, based upon studies prepared by outside consultants.

In addition to recoveries from the pools, SCTC and PTC also receive revenues from the Universal Service High Cost Loop Fund (HCL) and other support mechanisms administered by the Universal Service Administrative Company (USAC). These universal service support revenues are intended to compensate the Company for the high cost of providing service in rural areas. The amount of support received from USAC is based on the number of customers served and the cost of providing service in that area being in excess of the national average cost per loop, as determined by the FCC. SCTC and PTC also receive funding from the state universal service funds. These support revenues are included in the network access revenues in the accompanying financial statements.

In 2013, SCTC and PTC received \$2,189,061 (\$1,921,732 in 2012) from the USAC High Cost Loop Fund and \$5,050,647 (\$4,657,011 in 2012) in interstate access revenues administered through the NECA Pools. In 2013 SCTC and PTC received \$911,315 from the Oregon Universal Service Fund (\$446,182 in 2012).

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 1 - Organization and Summary of Significant Accounting Policies, continued

National Broadband Plan and FCC Order

In 2010 the FCC issued the National Broadband Plan which outlined a long-term plan to increase broadband penetrations and services throughout the United States of America. The plan further outlined a proposed long-term phase-out of access charges (referred to as Intercarrier Compensation) and moved to support mechanisms based on broadband services rather than the current Universal Service High Cost Loop Fund administered by USAC.

In response to the plan, the FCC on October 27, 2011, approved Report and Order 11-161 (the Order), that begins the process of reforming the universal service and intercarrier compensation (ICC) systems and adopts support for broadband-capable networks as an express universal service principle. The Order further creates the Connect America Fund which will ultimately replace all existing high-cost support mechanisms as well as help facilitate ICC reforms.

The key provisions of the order include:

- Capping the federal universal service fund at current levels
- Placing limitations on capital and operating spending
- Establishing local rate benchmarks
- Capping the per-line support amount for the universal service high cost loop fund at \$250 per month.
- Phase out of local switching support and the establishment of the CAF for recovery of investment and expenses related to the provision of switching services
- Reforming the ICC system by adopting a plan to transition from access charges to a bill and keep framework. The transition period for rate-of-return carriers such as the Company is approximately 9 years from the date of the order.
- Adoption of a monthly Access Recovery Charge as a transitional recovery mechanism to mitigate the impact of reduced intercarrier revenues

The Order was effective December 29, 2011 and implementation began July 1, 2012. As of the implementation date CAF recovery is calculated based on the frozen fiscal year 2011 interstate switched access revenue requirement, plus certain 2011 intrastate access revenues, and will decline annually by 5% during the transition period.

As of December 31, 2013 the Company is transitioning its local rates and is not subject to the \$250 per line support cap. Furthermore, for the period ended December 31, 2013 the impacts to the Company related to the 5% annual decline in switched access revenues have not been significant.

The overall reform process will take place in phases and will take several years to implement. Furthermore, the Order includes a Further Notice of Proposed Rulemaking, the FCC has issued numerous Orders for Reconsideration and continues to seek comments on various items. As a result, the ultimate outcome of these proceedings and their impact is uncertain at this time.

Subsequent Events

The Company has evaluated subsequent events through March 11, 2014, which is the date the consolidated financial statements were available to be issued.

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 2 - Marketable Securities

As mentioned in Note 1, at December 31, 2013 and 2012, all marketable securities have been categorized as available for sale and are stated at fair value in the consolidated financial statements, with unrealized gains and losses included in comprehensive income as a separate component of members' equity.

The Company has adopted a hierarchal disclosure framework, which among other matters requires enhanced disclosure about investments that are measured and reported at fair value. This framework prioritizes and ranks the level of market price observability used in measuring investments at fair value. The Company's marketable securities are measured and reported at fair value on a recurring basis based on quoted prices available in active markets for identical investments as of the reporting date (Classification Level 1). There have been no changes to the methodologies used at December 31, 2013 and 2012.

At December 31 the Company's securities are as follows:

	<u>2013</u>	<u>2012</u>
Fair value		
US Treasury Securities	\$ 65,941	\$ 86,432
Government Sponsored Securities	19,600	13,304
Corporate Bonds	212,947	220,445
Asset Backed Securities	121,455	125,602
Mutual Funds	<u>60,607</u>	<u>59,770</u>
Total fair value	480,550	505,553
Cost	<u>483,758</u>	<u>495,586</u>
Gross unrealized holding gains (losses)	\$ <u>(3,208)</u>	\$ <u>9,967</u>

Gross unrealized holding gains and losses are included in other comprehensive income, net of deferred taxes of \$1,283 in 2013 (\$3,987 in 2012). Proceeds from sale of marketable securities for the year ended December 31, 2013 were \$425,142 (\$336,099 in 2012) resulting in a gross realized loss of \$4,198 for the year ended December 31, 2013 (\$15,966 gain for the year ended December 31, 2012). There have been no changes in the methodologies used at December 31, 2013 and 2012.

The following is a summary of maturities of available for sale debt securities as of December 31, 2013:

	<u>Fair Value</u>	<u>Cost</u>
Amounts maturing in:		
After one year through five years	\$ 278,347	\$ 280,857
After five years through ten years	95,503	96,872
After ten years	46,093	47,666

Note 3 - Notes Receivable

During 2011, the Company issued a 7% note receivable to Hunt Revocable Trust in the amount of \$100,000, which is receivable in a minimum monthly installment of \$775 including interest, due in March 2018.

	<u>2013</u>	<u>2012</u>
Total notes receivable	\$ 93,342	\$ 96,009
Less current portion	<u>2,862</u>	<u>2,669</u>
Notes receivable, net of current portion	\$ <u>90,480</u>	\$ <u>93,340</u>

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 4 - Nonutility Property

Nonutility property consists of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 277,292	\$ 277,292
Buildings	173,218	181,053
Equipment and towers	<u>499,398</u>	<u>349,192</u>
Total nonutility property	949,908	807,537
Less accumulated depreciation	<u>299,857</u>	<u>272,834</u>
Nonutility, net	\$ <u>650,051</u>	\$ <u>534,703</u>

Nonutility property is stated at cost. The Company provides for depreciation on a straight-line basis over estimated useful lives of 5 to 30 years.

Note 5 - Other Investments

Other investments, at cost consist of the following:

	<u>2013</u>	<u>2012</u>
PEAK Internet, LLC	\$ 250,000	\$ 250,000
Advanced Wireless Services (AWS)	-	146,625
ANPI Holdings, Inc.	281,356	281,356
CHR Solutions, Inc.	135,435	135,435
Other investments	<u>164,213</u>	<u>136,709</u>
Total, at cost	\$ <u>831,004</u>	\$ <u>950,125</u>

Other investments, equity method:

Wilcom, LLC	\$ 304,318	\$ 307,832
Consolidated Business Services, LLC	<u>56,469</u>	<u>43,214</u>
Equity Investments	\$ <u>360,787</u>	\$ <u>351,046</u>
Total Other Investments	\$ <u>1,191,791</u>	\$ <u>1,301,171</u>

During the year ended December 31, 2013, the Company recorded an investment loss of \$6,014 from Wilcom, LLC and contributed an additional \$2,500 in cash (investment loss of \$20,168 recorded in 2012, and \$28,000 contributed in cash).

Effective September 1, 2012 the Company, along with two other telecommunication companies, formed Consolidated Business Services, LLC to consolidate various administrative functions. Services currently being provided to the companies include accounting, regulatory reporting, management services and human resources. All three companies have a one-third ownership interest and any net income or loss will be distributed evenly to each company. The Company accounts for the investment using the equity method of accounting whereby the investment is recorded at cost and adjusted for the Company's share of income or loss. In 2013, the Company contributed \$12,442 in cash and recorded a net gain of \$813 from this investment (\$40,667 was contributed in cash and \$3,350 in furniture and equipment in 2012, and a net loss of \$813 was recorded from the investment).

During 2013, the Company sold its 10MHz AWS license to AT&T Mobility for \$2,099,000 in cash. The Company incurred commission fees of \$125,940 and incurred \$20,767 in selling expenses related to the sale. The sale resulted in a gain on the consolidated financial statements of \$1,792,619. At December 31, 2013, the Company had not yet received the cash related to the sale and \$2,099,000 was recorded as a receivable.

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 5 - Other Investments, continued

During 2012, the Company sold its 20MHz AWS license to Verizon Wireless for \$950,000 in cash and a 10MHz AWS license. The Company incurred commission fees of \$57,000 and incurred \$23,186 in selling expenses related to the sale. The fair market value of the licenses received in the exchange was estimated at \$146,625. The sale resulted in a gain on the consolidated financial statements of \$736,238. At December 31, 2012, the Company had not yet received the cash related to the sale and \$950,000 was recorded as a receivable. The cash was received during 2013.

Note 6 - Other Assets

Other assets consist of the following:

	<u>2013</u>	<u>2012</u>
Intangible asset, net	\$ 140,000	\$ 157,500
Deferred compensation assets	918,829	734,508
Life insurance - cash surrender value	<u>194,732</u>	<u>187,576</u>
	<u>\$ 1,253,561</u>	<u>\$ 1,079,584</u>

During 2011, the Company entered into a ten year non-refundable franchise agreement with Skitter Technologies, Inc. for the use of the Skitter TV name, methods, procedures and techniques, and a network of technology devoted exclusively to the merged video platform delivery business using the name "TV as a Service". Amortization expense of the franchise agreement included in depreciation expense was \$17,500 for the year ended December 31, 2013 (\$17,500 in 2012).

Deferred compensation assets represent amounts to be used for payment of deferred credits.

Cash surrender value is from life insurance policies on certain key individuals of the Company of which the Company is the beneficiary.

Note 7 - Property, Plant, and Equipment

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

	<u>2013</u>	<u>2012</u>
Land and support	\$ 7,242,388	\$ 6,924,116
Central office	13,541,355	18,380,371
Cable and wire facilities	<u>34,251,476</u>	<u>32,902,825</u>
	<u>\$ 55,035,219</u>	<u>\$ 58,207,312</u>

Note 8 - Income Taxes

For the years ended December 31, 2013 and 2012, SCTC was taxable because it derived more than 15% of its gross revenues from nonmember services (see Note 1). SCTC files a consolidated income tax return with SCS and PTC.

Deferred income tax assets and liabilities are computed annually for differences between the consolidated financial statements and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period, plus or minus the change in deferred tax assets and liabilities during the period.

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 8 - Income Taxes, continued

Deferred taxes consist of the following:

	<u>2013</u>	<u>2012</u>
Long-term deferred income tax asset (liability):		
Noncurrent deferred tax asset	\$ 367,800	\$ 309,400
Long-term deferred income tax liability	(155,000)	(139,600)
Net long-term deferred income tax asset	\$ <u>212,800</u>	\$ <u>169,800</u>
Current deferred income tax asset (liability):		
Unrealized holding gain (loss) (Note 2)	\$ <u>1,283</u>	\$ (3,987)
Net current deferred income tax asset (liability)	\$ <u>1,283</u>	\$ (3,987)

Noncurrent deferred tax assets results from losses on investments not deductible for income tax purposes. Long-term deferred income tax liability results from using accelerated depreciation for income tax reporting and straight-line for financial statement reporting.

Operating income tax consists of the following:

Current	\$ 428,000	\$ 375,300
Deferred provision	(41,800)	(58,700)
Operating income tax	\$ <u>386,200</u>	\$ <u>316,600</u>
Nonoperating income tax (Note 9):		
Current benefit	\$ (1,200)	\$ (43,130)
Deferred tax benefit	(54,470)	(43,533)
Nonoperating income tax benefit	\$ (<u>55,670</u>)	\$ (<u>86,663</u>)

Note 9 - Other Income (Expense)

Other income (expense) consists of the following:

	<u>2013</u>	<u>2012</u>
Nonoperating income tax benefit (Note 8)	\$ 55,670	\$ 86,663
Interest and dividend income	147,949	182,900
Gains on investments and other assets (Notes 2 and 5)	1,783,220	731,223
Deferred compensation expense	(2,364)	(1,760)
Miscellaneous expense	(29,637)	(20,917)
Total other income	\$ <u>1,954,838</u>	\$ <u>978,109</u>

Note 10 - Employee Benefit Plans

Pension Plans

The Company has adopted a retirement plan in accordance with Internal Revenue Code Section 401(k). The Company makes a 3% safe harbor contribution and a 7.5% profit sharing contribution each month. Contributions are based on each eligible participant's compensation. The Company is allowed to make additional discretionary contributions. Contributions for the year ended December 31, 2013 were \$231,231 (\$282,894 in 2012).

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 10 - Employee Benefit Plans, continued

Deferred Compensation Plan

The Company has entered into nonqualified deferred compensation agreements with certain key employees. The agreements provide for payment of monthly benefits upon retirement provided certain conditions are met. The estimated amounts to be paid for these agreements are being accrued over the period of active employment. The net present value of the outstanding liability for deferred compensation is included in deferred credits within the balance sheet.

Post-retirement Health Benefits

Employees age 55 or older with a hire date before October 9, 2007 who have completed 15 years of service with the Company are eligible to receive post-retirement health benefits. The Company will pay the health and dental insurance premiums for these retirees until they become eligible to receive Medicare benefits. The cost of providing these benefits is accrued over the period of active employment. At December 31, 2013, the amount accrued for post-retirement benefits is \$991,344 (\$912,071 at December 31, 2012) and is unfunded. For the year ended December 31, 2013, the amount of benefits paid under post-retirement health benefits was \$71,077 (\$27,552 in 2012).

Note 11 - Long-Term Debt

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
Note payable to CoBank, at 5.05% (5.30% in 2012), payable in quarterly installments, principal and interest, collateralized by all real and personal property, due in 2018	\$ 4,687,500	\$ 5,625,000
Less current portion	(937,500)	(937,500)
	<u>\$ 3,750,000</u>	<u>\$ 4,687,500</u>

Future maturities of long-term debt are as follows:

2014	\$ 937,500
2015	937,500
2016	937,500
2017	937,500
2018	<u>937,500</u>
	<u>\$ 4,687,500</u>

The Company has a line of credit from CoBank in the amount of \$1,250,000 at a variable rate of interest expiring in December 2015. At December 31, 2013 and 2012, the Company has no advanced amounts on the line of credit.

The Company's long-term debt agreement with CoBank contains certain restrictions and covenants. In addition, the Company must maintain certain financial ratios (debt service coverage, total debt to EBITDA, equity to total assets). Management believes the Company to be in compliance with these covenants at December 31, 2013 and 2012.

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Note 12 - Related Parties

The Company has an agreement with Peak Internet, LLC which provides IT management and customer support. Amounts billed to the Company in 2013 were \$401,338 (\$383,769 in 2012). There were no amounts payable at December 31, 2013 and 2012.

The Company entered into an agreement with Consolidated Business Services, LLC (CBS, LLC) in 2012 (Note 5) whereby CBS, LLC will provide accounting and regulatory reporting services for the Company. During 2012, the employees of CBS, LLC remained on the payroll of the Company, resulting in billings to CBS, LLC for labor and benefit expenses. Effective January 1, 2013, all CBS, LLC employees were moved to CBS, LLC payroll from their respective companies. CBS provided accounting and regulatory services to the Company in the amount of \$423,383 in 2013. At December 31, 2013, there was \$2,481 payable to CBS, LLC and a receivable of \$6,554 due from CBS, LLC for labor and expenses (\$55,244 payable to CBS, LLC and a receivable of \$56,431 due from CBS, LLC at December 31, 2012).

SUPPLEMENTAL INFORMATION

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Consolidating Balance Sheets

Year Ended December 31, 2013

ASSETS	<u>SCS</u>	<u>PTC</u>	<u>SCTC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current Assets:					
Cash and cash equivalents	\$ 3,654	\$ 1,267,999	\$ 1,423,595	\$ -	\$ 2,695,248
Marketable securities	-	-	480,550	-	480,550
Accounts receivable, less allowance for accounts of \$7,000	10,110	315,884	4,084,371	(366,130)	4,044,235
Current portion of notes receivable	-	-	2,862	-	2,862
Materials and supplies	-	-	636,546	-	636,546
Intercompany taxes receivable	27,700	-	428,000	(455,700)	-
Deferred income taxes	-	-	1,283	-	1,283
Prepaid expenses	1,797	34,851	468,080	-	504,728
Total Current Assets	<u>43,261</u>	<u>1,618,734</u>	<u>7,525,287</u>	<u>(821,830)</u>	<u>8,365,452</u>
Other Assets and Investments:					
Nonutility property	-	29,000	621,051	-	650,051
Notes receivable	-	-	90,480	-	90,480
Other investments	-	-	1,191,791	-	1,191,791
Investment in subsidiary	5,740,400	-	6,254,243	(11,994,643)	-
Deferred income taxes	230,800	(18,000)	-	-	212,800
Other Assets	918,829	-	334,732	-	1,253,561
Total Other Assets and Investments	<u>6,890,029</u>	<u>11,000</u>	<u>8,492,297</u>	<u>(11,994,643)</u>	<u>3,398,683</u>
Property, Plant, and Equipment:					
Telecommunications	685,168	9,750,028	44,600,023	-	55,035,219
	<u>685,168</u>	<u>9,750,028</u>	<u>44,600,023</u>	<u>-</u>	<u>55,035,219</u>
Less accumulated depreciation	323,393	4,760,879	23,430,587	-	28,514,859
Property, Plant, and Equipment, net	<u>361,775</u>	<u>4,989,149</u>	<u>21,169,436</u>	<u>-</u>	<u>26,520,360</u>
Total Assets	<u>\$ 7,295,065</u>	<u>\$ 6,618,883</u>	<u>\$ 37,187,020</u>	<u>\$ (12,816,473)</u>	<u>\$ 38,284,495</u>

LIABILITIES AND MEMBERS' EQUITY	<u>SCS</u>	<u>PTC</u>	<u>SCTC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Current Liabilities:					
Current portion of long-term debt	\$ -	\$ -	\$ 937,500	\$ -	\$ 937,500
Accounts payable	73,373	320,922	267,016	(366,130)	295,181
Patronage capital payable	-	-	140,570	-	140,570
Accrued expenses	-	33,852	1,544,429	-	1,578,281
Advanced billing	8,701	68,009	361,096	-	437,806
Intercompany taxes payable	-	455,700	-	(455,700)	-
Total Current Liabilities	<u>82,074</u>	<u>878,483</u>	<u>3,250,611</u>	<u>(821,830)</u>	<u>3,389,338</u>
Long-Term Debt	-	-	3,750,000	-	3,750,000
Other Liabilities:					
Deferred credits	958,748	-	-	-	958,748
Total Other Liabilities	<u>958,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>958,748</u>
Total Liabilities	<u>1,040,822</u>	<u>878,483</u>	<u>7,000,611</u>	<u>(821,830)</u>	<u>8,098,086</u>
Members' Equity:					
Memberships	-	-	26,568	-	26,568
Patronage capital	-	-	30,161,766	-	30,161,766
Other equity	6,254,243	5,740,400	-	(11,994,643)	-
Accumulated other comprehensive loss	-	-	(1,925)	-	(1,925)
Total Members' Equity	<u>6,254,243</u>	<u>5,740,400</u>	<u>30,186,409</u>	<u>(11,994,643)</u>	<u>30,186,409</u>
Total Liabilities and Members' Equity	<u>\$ 7,295,065</u>	<u>\$ 6,618,883</u>	<u>\$ 37,187,020</u>	<u>\$ (12,816,473)</u>	<u>\$ 38,284,495</u>

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Consolidating Statements of Operations

Year Ended December 31, 2013

Schedule II

	<u>SCS</u>	<u>PTC</u>	<u>SCTC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating Revenues:					
Local network	\$ 47,732	\$ 250,774	\$ 1,409,880	\$ (18,806)	\$ 1,689,580
Network access	31,145	2,258,844	6,792,518	(199,864)	8,882,643
Internet	-	-	1,647,693	(909,298)	738,395
Long distance	-	-	286,879	(6,223)	280,656
Other operating - regulated	3,710	89,035	553,354	(137,004)	509,095
Other operating - nonregulated	-	-	293,326	(1,012)	292,314
Total Operating Revenues	<u>82,587</u>	<u>2,598,653</u>	<u>10,983,650</u>	<u>(1,272,207)</u>	<u>12,392,683</u>
Operating Expenses:					
Plant specific	22,165	267,331	1,557,909	(32,668)	1,814,737
Plant nonspecific	14,481	141,015	2,325,515	(1,089,825)	1,391,186
Customer	12,053	142,378	721,277	(126,800)	748,908
General and administrative	106,137	423,323	1,667,037	(21,968)	2,174,529
Depreciation and amortization	36,581	468,433	2,759,002	-	3,264,016
Other operating – nonregulated	-	-	339,689	(946)	338,743
Other taxes	-	65,920	376,201	-	442,121
Income tax provision	(27,700)	413,900	-	-	386,200
Total Operating Expenses	<u>163,717</u>	<u>1,922,300</u>	<u>9,746,630</u>	<u>(1,272,207)</u>	<u>10,560,440</u>
Operating Margin (Loss)	(81,130)	676,353	1,237,020	-	1,832,243
Other Income and Expenses, net	<u>689,078</u>	<u>11,525</u>	<u>2,550,061</u>	<u>(1,295,826)</u>	<u>1,954,838</u>
Margin Available for Fixed Charges	607,948	687,878	3,787,081	(1,295,826)	3,787,081
Fixed Charges, interest on long-term debt	-	-	289,710	-	289,710
Net Margin	<u>\$ 607,948</u>	<u>\$ 687,878</u>	<u>\$ 3,497,371</u>	<u>\$ (1,295,826)</u>	<u>\$ 3,497,371</u>

STAYTON COOPERATIVE TELEPHONE COMPANY AND SUBSIDIARIES

Consolidating Statements of Cash Flows

Year Ended December 31, 2013

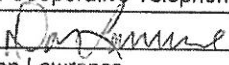
	SCS	PTC	SCTC	Eliminations	Consolidated
Cash Flows from Operating Activities:					
Net margin	\$ 607,948	\$ 687,878	\$ 3,497,371	\$ (1,295,826)	\$ 3,497,371
Adjustments to reconcile net margin to net cash provided (used) by operating activities:					
Depreciation and amortization	36,581	468,433	2,759,002	-	3,264,016
Nonregulated depreciation	-	-	720	-	720
Income from affiliated companies	(687,878)	-	(607,948)	1,295,826	-
Gain on investments and marketable securities	-	-	(72,273)	-	(72,273)
Gain on sale of asset	-	-	(1,826,435)	-	(1,826,435)
Change in other assets	(184,321)	-	(7,156)	-	(191,477)
Change in deferred credits	169,701	-	(27,009)	-	142,692
Change in deferred income taxes	(1,200)	(41,800)	-	-	(43,000)
Changes in assets and liabilities:					
Accounts receivable	(2,129)	(51,460)	(1,922,828)	232,520	(1,743,897)
Income taxes receivable	-	-	(35,636)	-	(35,636)
Intercompany taxes	(9,200)	61,900	(52,700)	-	-
Materials and supplies	-	-	35,947	-	35,947
Prepaid expenses	116	(3,896)	(127,173)	-	(130,953)
Accounts payable	67,871	160,885	(36,408)	(232,520)	(40,172)
Accrued expenses	(2,000)	7,852	223,515	-	229,367
Advanced billing	1,640	(2,891)	(6,980)	-	(8,231)
Deferred revenue	-	(22,538)	(59,651)	-	(82,189)
Net Cash Provided (Used) by Operating Activities	<u>(2,871)</u>	<u>1,264,363</u>	<u>1,734,358</u>	<u>-</u>	<u>2,995,850</u>
Cash Flows from Investing Activities:					
Payments of note receivable	-	-	2,667	-	2,667
Purchase of property, plant, and equipment	(71,025)	(350,785)	(2,152,981)	-	(2,574,791)
Purchases of nonutility property	-	-	(150,206)	-	(150,206)
Proceeds from sale of investments and marketable securities					
marketable securities	-	-	2,524,142	-	2,524,142
Purchase of investments and marketable securities	-	-	(558,393)	-	(558,393)
Patronage dividends received	-	-	54,167	-	54,167
Net Cash Used by Investing Activities	<u>\$ (71,025)</u>	<u>\$ (350,785)</u>	<u>\$ (280,604)</u>	<u>\$ -</u>	<u>\$ (702,414)</u>

	<u>SCS</u>	<u>PTC</u>	<u>SCTC</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash Flows from Financing Activities:					
Payments on long-term debt and notes payable	\$ -	\$ -	\$ (937,500)	\$ -	\$ (937,500)
Payments of capital credits, net	-	-	(323,817)	-	(323,817)
Net change in membership	-	-	176	-	176
Excise tax refunds received	-	-	6,884	-	6,884
Net Cash Used by Financing Activities	-	-	(1,254,257)	-	(1,254,257)
Net Increase (Decrease) in Cash and Cash Equivalents	(73,896)	913,578	199,497	-	1,039,179
Cash and Cash Equivalents, beginning	77,550	354,421	1,224,098	-	1,656,069
Cash and Cash Equivalents, ending	\$ <u>3,654</u>	\$ <u>1,267,999</u>	\$ <u>1,423,595</u>	\$ <u>-</u>	\$ <u>2,695,248</u>
Cash Paid During the Year for Interest, net of amount capitalized					
	\$ <u>-</u>	\$ <u>-</u>	\$ <u>283,272</u>	\$ <u>(16,472)</u>	\$ <u>266,800</u>
Cash Paid During the Year for Income Taxes	\$ <u>-</u>	\$ <u>-</u>	\$ <u>537,996</u>	\$ <u>-</u>	\$ <u>537,996</u>

Rate Floor Template

Certification of Officer as to the Accuracy of the Data Reported for the Rate Floor Data

I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the actual rate floor data reported ; and, to the best of my knowledge, the information reported on this form is accurate.

Name of Reporting Carrier				Stayton Cooperative Telephone Company	
Signature of authorized officer					
Printed name of authorized officer			Don Lawrence		
Title or position of authorized officer			President		
Telephone number of authorized officer: (503) 769-9057, ext.					
Study Area Code of Reporting Carrier		532399		Filing Due Date for this form (mm/dd/yyyy)	
				07/01/2014	

RATE FLOOR DATA COLLECTION - OMB Control Number 3060-0986

Block 1 - Contact Information

ROW #	DATA ELEMENT	FORMAT OF REQUESTED DATA	RESPONSE
1	Carrier Study Area Code	6 numeric digits	532399
2	Carrier Study Area Name	alpha characters	STAYTON COOP. TEL CO
3	Service Provider Identification Number	9 numeric digits	143002637
4	Residential Local Service Charge Effective Date	mm/dd/yy	07/01/14
5	Contact Name	alpha characters	Brentano, Nate S
6	Contact Telephone Number (include area code)	9 numeric digits	503-845-4435
7	Sheet Number	numeric digit(s)	
8	Total Number of Sheets	numeric digit(s)	

Block 2- Residential Local Service Rates, Fees, and Line Counts

	Column 1 Residential Local Service Charge	Column 2 State Subscriber Line Charge	Column 3 State Universal Service Fee	Column 4 Mandatory Extended Area Service Charge	Column 5 Loops
9	2.00		0.17		1
10	11.60		1.47	5.69	2,887

Sum 1050

AFFIDAVIT CERTIFYING USE OF UNIVERSAL SERVICE FUNDS

I, Don Lawrence, being of lawful age and duly sworn, on my oath, state that I am the President of Stayton Cooperative Telephone Company and that I am authorized to execute this Affidavit on behalf of the Company, and the facts set forth in this Affidavit are true to the best of my knowledge, information and belief.

Pursuant to the requirements of the Federal Communications Commission, 47 C.F.R. § 54.314, Stayton Cooperative Telephone Company hereby certifies to the Public Utility Commission of Oregon that it is eligible to receive federal high-cost support for the program years cited.

I attest that all federal high-cost support provided to Stayton Cooperative Telephone Company in Oregon was used in the preceding calendar year (2013) and will be used in the coming calendar year (2015) only for the provision, maintenance and upgrading of facilities and services for which the support is intended.

DATED this 11th day of June, 2014.

By: Don Lawrence (Officer's Name)

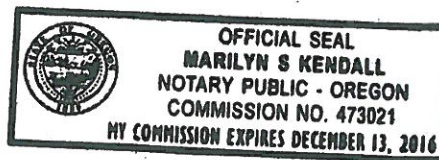
Its: President (Officer's Title)

SUBSCRIBED AND SWORN to before me this 11th day of June, 2014.

Marilyn S Kendall

Notary public in and for the State of Oregon

My Commission Expires: 12/13/2016



**Cover Sheet to Submission
2014 Annual ETC Certificate Reports**

Name of Eligible Communications Service Provider: Stayton Cooperative Telephone Company

Filing date: 6/12/14

Is this Original submission?
OR
Revised submission?

Person contact questions:

Name Nat Brentano

Phone number 503-845-4435

E-mail address nbrentano@cbsoregon.com

Documents included (if applicable):

- CAF/ICC Support (47 CFR § 54.304)
- Rate of Data (47 CFR § 54.313(h))
- Form 81 (High-cost) (47 CFR § 54.313, 54.422)
- Form 90 (Mobile) (47 CFR § 54.1009)
- Affidavit of High-Cost Support

Filing deadlines are defined in the rules promulgated by 47 CFR § 54.422(b) and are the same as the deadlines for filing the FCC Form 477 with the FCC for Form 81 Baseband information, in accordance with the AF/ICC Support due by July 1, 2014. The CAF/ICC Support due date is the same as the ETC's interstate filing.

If a revision is submitted to the FCC or USAC, a copy of the revision must be filed with the Oregon Commission at least 15 business days following submission to the FCC or USAC.

¹ Lifeline ETC rules provide information for Form 81 (47 CFR § 54.422(b)) if ETC does not submit this information to the FCC.

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

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

<010> Study Area Code	532399
<015> Study Area Name	STAYTON COOP TEL CO
<020> Program Year	2015
<030> Contact Name: Person USAC should contact with questions about this data	Nate Brentano
<035> Contact Telephone Number: Number of the person identified in data line <030>	5038454435 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	nbrentano@sctcweb.com

ANNUAL REPORTING FOR ALL CARRIERS	54.313	54.422
	Completion Required	Completion Required

			<i>(check box when complete)</i>	
<100> Service Quality Improvement Reporting	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<300> Unfulfilled Service Requests (voice)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<310> Detail on Attempts (voice)	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <i>(attach descriptive document)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<330> Detail on Attempts (broadband)	<div style="border: 1px solid black; height: 40px; width: 100%;"></div> <i>(attach descriptive document)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<420> Mobile	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<440> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<450> Mobile	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<500> Service Quality Standards & Consumer Protection Rules Compliance	<i>(check to indicate certification)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> <div style="border: 1px solid black; padding: 2px;">532399OR510.pdf</div>	<i>(attached descriptive document)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	<i>(check to indicate certification)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> <div style="border: 1px solid black; padding: 2px;">532399OR610.pdf</div>	<i>(attached descriptive document)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<710> Company Price Offerings (broadband)	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<800> Operating Companies and Affiliates	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)?	<input type="radio"/> <input checked="" type="radio"/> <i>(if yes, complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1000> Voice Services Rate Comparability	<i>(check to indicate certification)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1010> <div style="border: 1px solid black; height: 40px; width: 100%;"></div>	<i>(attach descriptive document)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)?	<input checked="" type="radio"/> <input type="radio"/> <i>(if not, check to indicate certification)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1110>	<i>(complete attached worksheet)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	<i>(complete attached worksheet)</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet

<2000> <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	<i>(check to indicate certification)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<2005>	<i>(complete attached worksheet)</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet

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

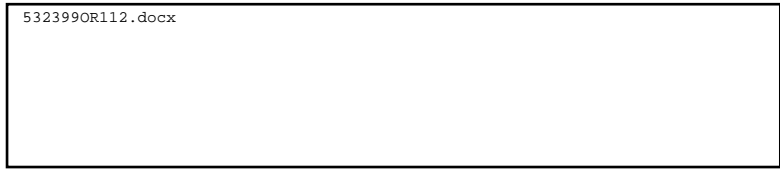
(100) Service Quality Improvement Reporting Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

<010> Study Area Code	532399
<015> Study Area Name	STAYTON COOP TEL CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	Nate Brentano
<035> Contact Telephone Number - Number of person identified in data line <030>	5038454435 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	nbrentano@sctcweb.com

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

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

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



Name of Attached Document

Please check these boxes below to confirm that the attached document(s), 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.

**(900) Tribal Lands Reporting
Data Collection Form**

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

<010>	Study Area Code	532399
<015>	Study Area Name	STAYTON COOP TEL CO
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Nate Brentano
<035>	Contact Telephone Number - Number of person identified in data line <030>	5038454435 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	nbrentano@sctcweb.com

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

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes,No, NA) for each these boxes to confirm the status described on the attached document(s), 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)

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

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

<010>	Study Area Code	532399
<015>	Study Area Name	STAYTON COOP TEL CO
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Nate Brentano
<035>	Contact Telephone Number - Number of person identified in data line <030>	5038454435 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	nbrentano@sctcweb.com

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

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

(1200) Terms and Condition for Lifeline Customers Lifeline Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
--	--

<010>	Study Area Code	532399
<015>	Study Area Name	STAYTON COOP TEL CO
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Nate Brentano
<035>	Contact Telephone Number - Number of person identified in data line <030>	5038454435 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	nbrentano@sctcweb.com

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

532399or1210.pdf

Name of Attached Document

<1220> Link to Public Website

HTTP www.puc.state.or.us/Pages/rspf/index.aspx

“Please check these boxes below to confirm that the attached document(s), 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

FCC Form 481

Data Collection Form

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

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

July 2013

<010>	Study Area Code	532399
<015>	Study Area Name	STAYTON COOP TEL CO
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Nate Brentano
<035>	Contact Telephone Number - Number of person identified in data line <030>	5038454435 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	nbrentano@sctcweb.com

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)}
- <2011> 3rd Year Certification {47 CFR § 54.313(b)(2)}

Price Cap Carrier Receiving Frozen Support Certification {47 CFR § 54.312(a)}

- <2012> 2013 Frozen Support Certification
- <2013> 2014 Frozen Support Certification
- <2014> 2015 Frozen Support Certification
- <2015> 2016 and future Frozen Support Certification

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

- <2016> Certification Support Used to Build Broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

- <2017> 3rd year Broadband Service Certification
- <2018> 5th year Broadband Service Certification
- <2019> Interim Progress Certification
- <2020> Please check the box to confirm that the attached document(s), 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.

- <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	532399
<015> Study Area Name	STAYTON COOP TEL CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	Nate Brentano
<035> Contact Telephone Number - Number of person identified in data line <030>	5038454435 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	nbrentano@sctcweb.com

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.

(3010) **Progress Report on 5 Year Plan**
Milestone Certification (47 CFR § 54.313(f)(1)(i))

Name of Attached Document Listing Required Information

(3011) Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313 (f)(1)(ii), the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii))

Name of Attached Document Listing Required Information

(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) (Yes/No) Yes No

(3014) If yes, does your company file the RUS annual report (Yes/No) Yes No

Please check these boxes to confirm that the attached document(s), 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) Document(s) for 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

Name of Attached Document Listing Required Information

(3018) If the response is no on line 3014, Is your company audited? (Yes/No) Yes No

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) Document(s) for 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) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3026) Attach the worksheet listing required information

532399OR3026.pdf

Name of Attached Document Listing Required Information

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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<010>	Study Area Code	532399
<015>	Study Area Name	STAYTON COOP TEL CO
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Nate Brentano
<035>	Contact Telephone Number - Number of person identified in data line <030>	5038454435 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	nbrentano@sctcweb.com

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:	STAYTON COOP TEL CO
Signature of Authorized Officer:	CERTIFIED ONLINE Date 06/12/2014
Printed name of Authorized Officer:	Don Lawrence
Title or position of Authorized Officer:	President
Telephone number of Authorized Officer:	5037692121 ext.
Study Area Code of Reporting Carrier:	532399 Filing Due Date for this form: 06/30/2014
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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<010>	Study Area Code	532399
<015>	Study Area Name	STAYTON COOP TEL CO
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	Nate Brentano
<035>	Contact Telephone Number - Number of person identified in data line <030>	5038454435 ext .
<039>	Contact Email Address - Email Address of person identified in data line <030>	nbrentano@sctcweb.com

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	
<p>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.</p>	
Name of Authorized Agent:	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date:
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
<small>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</small>	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
<p>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.</p>	
Name of Reporting Carrier:	
Name of Authorized Agent or Employee of Agent:	
Signature of Authorized Agent or Employee of Agent:	Date:
Printed name of Authorized Agent or Employee of Agent:	
Title or position of Authorized Agent or Employee of Agent:	
Telephone number of Authorized Agent or Employee of Agent:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
<small>Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.</small>	

Attachments

