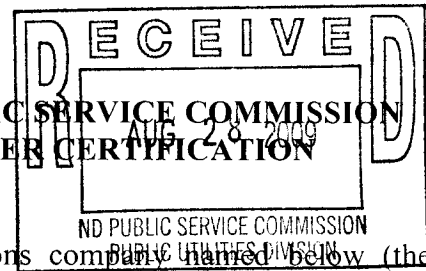


**ANNUAL REPORT TO THE NORTH DAKOTA PUBLIC SERVICE COMMISSION
ESSENTIAL TELECOMMUNICATIONS CARRIER CERTIFICATION**

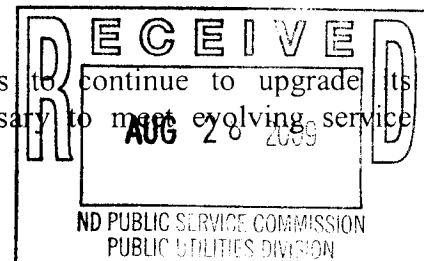


The undersigned, on behalf of the telecommunications company named below (the Company), does hereby state and certify, as follows:

1. The Company will provide service on a timely basis to requesting customers within the Company's designated service area where the Company's network already passes the potential customer's premises, and
2. The Company will provide service, within a reasonable period of time, if the potential customer is within the company's designated service area but outside the Company's existing network coverage, if service can be provided at a reasonable cost.
3. The Company is able to remain functional in emergency situations and has a reasonable amount of back-up power to ensure functionality without an external power source.
4. The Company is satisfying and will satisfy applicable consumer protection and service quality standards.
5. If the company is a non-incumbent local exchange carrier, it will offer a local usage plan comparable to the one offered by the incumbent local exchange carrier in the designated service area.
6. The Company acknowledges that the North Dakota Public Service Commission (the Commission) may require it to provide equal access to long distance carriers in the event that no other eligible telecommunications carrier is providing equal access within the proposed designated service area.
7. The Company has met and will meet the requirements of eligible telecommunications carrier advertising.

Attached hereto as "Exhibit A" is information indicating "Year 2008 Federal Universal Service Receipts" received by the Company. This same Exhibit also shows total expenditures of the Company in 2008 related to the provision, maintenance and upgrading of the facilities and services that are supported by Federal Universal Service Funding and further estimates these same expenditures for calendar year 2010. Consistent with federal universal service principles, the Company will use federal universal service amounts received in 2010 to offset a portion of these 2010 expenditures. This use of federal universal service support will enable the Company to: (1) maintain rates for its local exchange services that are affordable and reasonably comparable to rates being charged for the same services in urban areas; and (2) to upgrade its telecommunications facilities and equipment as necessary to meet evolving service requirements and maintain high quality service. The use of federal universal service support for these purposes is clearly consistent with the federal universal service provisions. In addition to the information included in Exhibit A, the following information is provided to meet the Commission's "Certification requirements":

- The Company's service quality improvement plan is to continue to upgrade its telecommunications facilities and equipment as necessary to meet evolving service



requirements and maintain high quality service throughout its service area. As an incumbent local exchange carrier and the carrier of last resort in its service area, the Company upgrades and replaces facilities and equipment as necessary. The Company believes that its planned capital additions will improve the reliability of switched calls for its customers, increase the Company's network capacity to serve remote customers and provide customers with state-of-the-art telecommunications service. In furtherance of its service quality improvement plan, the Company will use any high-cost universal service amounts received by it to offset expenditures incurred as it continues to upgrade and replace facilities and equipment. A progress report on the Company's two-year service quality improvement plan is attached hereto as "Exhibit B."

- During calendar year 2008, the Company experienced no service outages affecting at least 10 percent of its end user customers, for a period lasting longer than 30 minutes.
- The Company was able to provide service to all potential customers that requested service during 2008, and as of December 31, 2008, the Company had no unfulfilled requests for service.
- During 2008, the Company's customer service department received no formal complaints from consumers.

I hereby certify that the above information is true and correct and is submitted on behalf of the Company named below. The information is submitted in the year 2009.

James Valley

Company

By: James Ault

Title: CEO

EXHIBIT A
Progress Report
James Valley Telecommunications

Year 2008 Federal Universal Service Receipts:

High Cost Loop Support	\$ 807,408
Local Switching Support	\$ 330,900
Safety Net Additive Support	\$ 0
Safety Valve Loop Cost Adjustment	\$ 0
TOTAL	\$ 1,138,308

Expenditures For Provision, Maintenance, and Upgrading Of Facilities and Services Supported By Federal Universal Service Funding:

	Actual 2008
Plant Specific Operations Expenses	
Network support (Accts 6110-16)	\$ 101,195
General support (Accts 6120-24)	\$ 134,403
Central office (Accts 6210-6232)	\$ 519,188
Cable and wire facilities (Accts 6410-41)	\$ 300,331
Network operations (Accts 6530-35)	\$ 250,025
Depreciation and amortization (Accts 6560-65)	\$ 2,543,644
Customer Operations Expenses	
Customer services (Accts 6620-23)	\$ 446,555
Corporate Operations Expenses	
Executive and planning (Accts 6710-12)	\$ 143,483
General and administrative (Accts 6720-28)	\$ 462,627
Total Years Supported Expenses, Before Return on Investment	\$ 4,901,451
Additions	
Switching (Acct 2210)	\$ 850,911
Cable and wire (Acct 2410)	\$ 304,176
Total	\$ 1,155,087
Total Supported Expenditures, Before Return on Investment	\$ 6,056,538

North Dakota Data:

Based on the small size of the Company's customer base in North Dakota, it would be difficult to detail the specific USF dollars received as well as costs incurred solely in North Dakota. Therefore, the above data encompasses all of the Company's serving area with our ND customers being served in the same manner as our entire territory.

EXHIBIT B
Two-Year Plan
James Valley Telecommunications

The Company's service quality improvement plan is to continue to upgrade its telecommunications facilities and equipment as necessary to meet evolving service requirements and maintain high quality service throughout its service area. As an incumbent local exchange carrier and the carrier of last resort in its service area, the Company upgrades and replaces facilities and equipment as necessary. The Company believes that its planned capital additions will improve the reliability of switched calls for its customers, increase the Company's network capacity to serve remote customers and provide customers with state-of-the-art telecommunications service. In furtherance of its service quality improvement plan, the Company will use any high-cost universal service amounts received by it to offset expenditures incurred as it continues to upgrade and replace facilities and equipment.

Estimated Year 2010 Federal Universal Service Receipts:

High Cost Loop Support	\$ 398,000
Local Switching Support	\$ 370,000
Safety Net Additive Support	\$ 0
Safety Valve Loop Cost Adjustment	\$ 0
TOTAL	\$ 768,000

Expenditures For Provision, Maintenance, and Upgrading Of Facilities and Services Supported By Federal Universal Service Funding:

	Estimated 2010
Plant Specific Operations Expenses	
Network support (Accts 6110-16)	\$ 107,000
General support (Accts 6120-24)	\$ 139,000
Central office (Accts 6210-6232)	\$ 852,000
Cable and wire facilities (Accts 6410-41)	\$ 334,000
Network operations (Accts 6530-35)	\$ 302,000
Depreciation and amortization (Accts 6560-65)	\$ 2,500,000
Customer Operations Expenses	
Customer services (Accts 6620-23)	\$ 492,000
Corporate Operations Expenses	
Executive and planning (Accts 6710-12)	\$ 163,000
General and administrative (Accts 6720-28)	\$ 455,000
Total Years Supported Expenses, Before Return on Investment	\$ 5,344,000
Additions	
Switching (Acct 2210)	\$ 200,000
Cable and wire (Acct 2410)	\$ 415,000
Total	\$ 615,000
Total Supported Expenditures, Before Return on Investment	\$ 5,959,000

Confidential and Proprietary

Proposed Network Improvements:

The Company's 2010 estimated capital additions included with last year's filing are provided again for reference, together with capital additions planned for 2011.

Wire Center	Estimated Population	Description of Capital Improvement	Start Date	End Date	Estimated Capital Expenditures Each Year	
					2010	2011
298-Andover	166	Cable replacement/additions	5/1/10	11/30/10	\$10000	\$10000
492-Bristol	693	Cable replacement/additions	5/1/10	11/30/10	\$50000	\$50000
294-Claremont	217	Cable replacement/additions	5/1/10	11/30/10	\$25000	\$25000
396-Columbia	234	Cable replacement/additions	5/1/10	11/30/10	\$25000	\$25000
382-Conde	312	Cable replacement/additions	5/1/10	11/30/10	\$25000	\$25000
635-Doland	496	Cable replacement/additions	5/1/10	11/30/10	\$50000	\$50000
395-Ferney	160	Cable replacement/additions	5/1/10	11/30/10	\$10000	\$10000
329-Frederick	635	Cable replacement/additions	5/1/10	11/30/10	\$50000	\$50000
397-Groton	2265	Cable replacement/additions	5/1/10	11/30/10	\$50000	\$50000
397-Groton	6629	Switch replacement/additions	1/1/10	12/31/10	\$200000	\$200000
994-Hecla	524	Cable replacement/additions	5/1/10	11/30/10	\$50000	\$50000
885-Houghton	95	Cable replacement/additions	5/1/10	11/30/10	\$10000	\$10000
887-Mellette	730	Cable replacement/additions	5/1/10	11/30/10	\$50000	\$50000
897-Turton	102	Cable replacement/additions	5/1/10	11/30/10	\$10000	\$10000