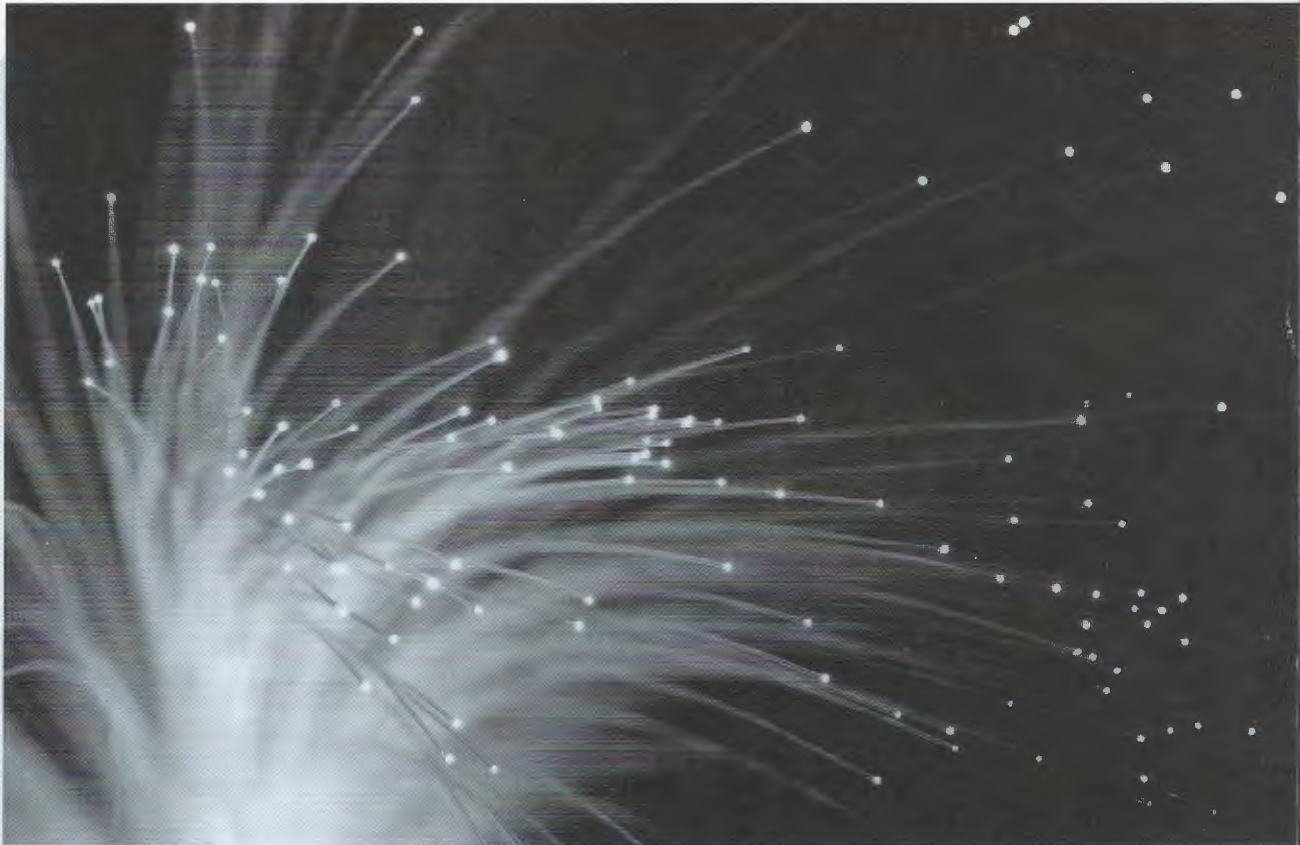


2011
Operations and
Financial Summary

Q1





TO OUR SHAREHOLDERS

We are pleased to present this first Quarterly Operations & Financial Summary as a means of providing timely information on North State Communications.

The quarterly summaries provide a "Year-to-Date" look at operations and financials with a comparison of the same period of the previous year.

You will receive quarterly summaries throughout the year beginning with the first quarter review in mid-May, a summary of the first half of the year in mid-August, and a summary reviewing the first three quarters of the year in mid-October. Year-end summaries will be provided in March of the following year.

We hope you find these updates informative.

Summary of Unaudited Statements of Income

Three Months Ending March 31,	2011	2010	% Change
Operating Revenues			
Telecom	\$12.8	\$13.6	-5.5%
Broadband	4.7	3.5	34.1%
Wireless	7.2	6.0	19.9%
Advertising and Search	1.0	1.1	-11.3%
Miscellaneous	0.3	0.3	-14.8%
Total Operating Revenue	26.0	24.5	6.0%
Less: Uncollectible Revenue	0.3	0.2	59.5%
Net Operating Revenue	25.7	24.3	5.5%
Operating Expense			
Cost of Sales and Services	10.7	9.7	9.3%
Selling, General, and Administrative	6.5	6.5	0.3%
Depreciation and Amortization	4.1	5.0	-18.3%
Total Operating Expense	21.3	21.2	0.1%
Operating Income	4.4	3.1	43.6%
Nonoperating Income (Expense)			
Interest Income	0.1	0.1	7.5%
Equity in Earnings of Unconsolidated Entities	1.4	1.6	-12.0%
Gain (Loss) on Sale of Investment Securities	0.0	0.0	
Other Income (Expense), Net	0.0	0.0	
Total Nonoperating Income	1.5	1.7	-10.6%
Income Before Income Taxes	5.9	4.8	24.0%
Income Taxes	2.2	1.8	23.8%
Net Income	\$3.7	\$3.0	24.4%
Earnings Per Share	\$1.61	\$1.30	23.8%

Amounts in millions except per share amounts

2011 Q1 Highlights

Highlights: 1st Quarter 2011 Compared to 1st Quarter 2010

- 24% increase in Earnings Per Share
- Consolidated Net Operating Revenues up 5.5%
- Consolidated Net Operating Income up 43.6%
- Total Connections up 3%
- 19% increase in Broadband Connections with 34.1% increase in Broadband Revenues
- 8% increase in Wireless Connections with a 19.9% increase in Wireless Revenues

	Q1 2011	Q1 2010	% CHANGE
OPERATING REVENUES	\$25.7	\$24.3	5.5%
OPERATING INCOME (a)	\$4.4	\$3.1	43.6%
EARNINGS PER SHARE (b)	\$1.6	\$1.3	23.8%

Over the first three months of 2011 we continued our focus on the exciting growth potential of the digital world.

Strength in broadband and wireless revenues offset expected declines in our telecom and advertising segments. Operating expenses excluding depreciation and amortization were up 6% related to increases in video content costs, increased smart phone sales and heightened consumer and business sales initiatives. Depreciation and amortization was down 18.3% year-over-year due to the end of the depreciable life of certain assets.

Our revenue mix continues to change in accordance with the consumers' choice of services for carrying out their lives and operating their businesses. At the end of the quarter, wireless and broadband represented 46% of operating revenues compared to 39% at the end of the same period last year.

Capital spending of \$7.6M for the first quarter of 2011 includes \$2.3M for items in the 2010 Capital Budget that were paid for in 2011. Actual capital spending attributable to 2011 items was

\$5.6M in the first quarter of 2011 compared to \$4.2M in the same period last year. As outlined in our 2010 Year End Summary, we anticipate capital spending of \$25.7M in 2011 as we continue to expand our fiber network, increasing the number of wireline triple pak (video, broadband and voice) marketable homes by 70% over the course of the year. Portions of the 2011 capital spending relate to the 4G expansion of our wireless network, general maintenance and success based capital costs. Our capital spending levels, while impacting free cash flow in the short term, provide long term growth opportunities.

During the first quarter of 2011 we added 2203 net new Broadband Connections, a 15% increase over the first quarter of 2010. We added 440 net new Wireless Connections, up 55% from the year earlier period. The loss of wireline voice connections improved as the decrease in net new voice connections was 46% less in the first quarter of 2011 than in the same period of 2010.

In the first quarter of 2011, wireless smartphone sales increased 120% compared to the first quarter of 2010. During the quarter we announced the availability of new leading devices including the HTC Inspire 4G, the Motorola ATRIX TM 4G, the LG Thrill 4G, the Amazon Kindle 3G and the LG Thrive for Go

Connections

	Q1 2011	Q1 2010	% CHANGE
BROADBAND	35,395	29,737	19%
WIRELESS	28,106	25,995	8%
VOICE	79,359	84,038	-6%
TOTAL CONNECTIONS	142,860	138,770	3%

Phone customers. In addition we announced the availability of the iPad 2 complementing the iPad, the iPhone 3Gs and the iPhone 4 already in our stores. During the quarter we announced that tablet customers can choose between an existing prepaid billing option or a new postpaid plan by adding the plan to their

existing monthly statement extending the simplicity of a single monthly bill to tablet users. Additionally we announced that wireless customers with an unlimited messaging plan and a qualifying voice plan can enjoy unlimited mobile calling to any mobile number on any carrier in the United States. The 4G upgrade of our wireless network remains on track for mid-year.

We added a variety of new channels to the Plex Advanced TV High Definition line-up including Golf HD, Lifetime HD, Major League Baseball HD, QVC HD, Speed HD, Versus HD, the Weather Channel HD and others. Plex TV now offers 105 HD channels with more HD channels coming on line by mid year. Along with a robust HD channel line-up, Plex includes a growing library of HD movies on demand.

Recently we introduced Plex FlexPaks, an innovative approach to offering consumers choices of digital products that best fit their lifestyles. Choosing from wireline and wireless voice, broadband and entertainment products, consumers can create economical "Paks" to simplify their lives. FlexPaks are backed by our out-

Segment Revenue

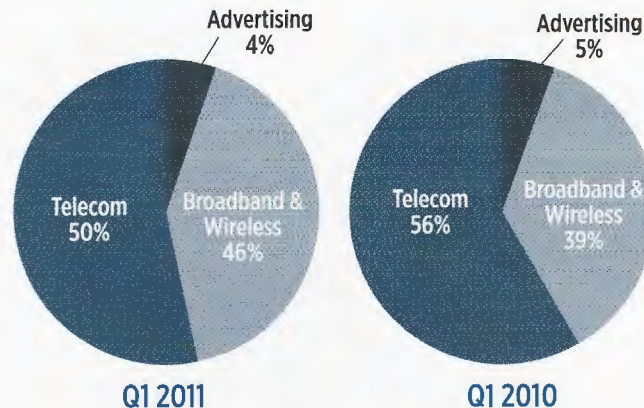
	Q1 2011	Q1 2010	% CHANGE
BROADBAND	\$4.7	\$3.5	34.1%
WIRELESS	\$7.2	\$6	19.9%
TELECOM	\$12.8	\$13.6	-5.5%
ADVERTISING & SEARCH	\$1	\$1.1	-11.3%
MISCELLANEOUS	\$0.3	.03%	14.8%

standing customer support as we make the sometimes complex pieces of the digital lifestyle easier. Our flagship FlexPak includes ultra-fast Plex 30/30 broadband internet with 30 megabits per second (mbps) downloads and uploads, Plex TV 200 with over 237 channels, home phone service and home Wi-Fi, all for less than \$100 per month. An AT&T wireless voice and broadband plan can be added to or substituted for any FlexPak giving customers the flexibility to create a mix of home and mobile products that meet their needs.

Early in the second quarter of this year we will be making a significant announcement with the introduction of Plex Blitz, a new addition to our Plex Broadband Internet offering. Plex Blitz extends

our leading position in consumer broadband in the area with unprecedented internet speed of 80 mbps downloads and 30 mbps uploads. Plex Blitz makes streaming high definition content both easy and more enjoyable. An entire HD movie can be downloaded

Revenue Mix



in just 5 minutes; 75 songs or 200 pictures can be downloaded in just 30 seconds. The power and speed of Plex Blitz provide a smoother delivery of online content, and enable multiple users in a home to perform more large bandwidth-dependent activities simultaneously. The new product leverages the strength of our fiber network to deliver an unmatched experience as the evolving lifestyle of consumers lends itself to faster connections.

Our strong finish in 2010 and good results for the first quarter of 2011 point to positive momentum from the actions we have taken to transform and grow the business. Thank you for your continued support and interest in North State.

C. Hayden McKenzie

C. Hayden McKenzie
Chairman and
Chief Executive Officer

Royster Tucker III

Royster Tucker III
Vice Chairman, President
and Chief Operating Officer

Consolidated Balance Sheets-Unaudited

At March 31,	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,362,069	\$ 6,517,623
Investment securities	12,975,153	13,119,722
Accounts receivable, net of allowance for doubtful accounts	9,839,471	8,402,999
Materials and supplies	6,427,369	7,790,395
Prepayments	1,597,448	1,607,081
Income taxes recoverable	234,239	-
Deferred income taxes	848,915	840,910
Total current assets	39,284,664	38,278,730
Property, plant, and equipment	423,557,272	414,810,772
Less accumulated depreciation	295,319,744	277,291,759
Property, plant, and equipment, net	128,237,528	137,519,013
Other assets:		
Investment securities	3,704,010	9,373,012
Investments in unconsolidated entities	9,312,030	8,867,985
Intangibles, net of amortization	6,493,750	6,493,750
Other noncurrent assets	1,390,044	1,771,424
Total other assets	20,899,834	26,506,171
Total assets	\$ 188,422,026	\$ 202,303,914
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and payroll withholdings	\$ 2,458,213	\$ 2,724,440
Advance billings and customer deposits	3,052,117	3,030,447
Income taxes payable	104,109	1,109,936
Accrued expenses	5,717,598	9,841,805
Accrued taxes	648,362	703,494
Total current liabilities	11,980,399	17,410,122
Other liabilities:		
Deferred income taxes	19,660,145	17,510,691
Accrued pension benefits	25,115,517	23,813,211
Accrued postretirement benefits	1,622,700	1,692,122
Other liabilities and deferred credits	1,158,182	1,453,008
Total other liabilities	47,556,544	44,469,032
Total liabilities	59,536,943	61,879,154
Stockholders' equity:		
Preferred stock	2,044,100	2,078,400
Common stock	11,485,645	11,493,805
Paid in capital	25,388	17,102
Retained earnings	129,523,940	135,628,779
Accumulated other comprehensive loss	(14,193,990)	(8,793,326)
Total stockholders' equity	128,885,083	140,424,760
Total liabilities and stockholders' equity	\$ 188,422,026	\$ 202,303,914

Consolidated Income Statements-Unaudited

Three Months Ending March 31,	2011	2010
Operating revenues:		
Local service	\$ 6,310,043	\$ 6,803,771
Network access	5,664,927	5,845,790
Long distance	865,005	943,628
Legacy telecom	12,839,975	13,593,189
Broadband	4,740,383	3,535,949
Total wireline	17,580,358	17,129,138
Wireless	7,173,206	5,980,171
Advertising and search	960,273	1,082,619
Miscellaneous	283,856	333,292
Total operating revenues	25,997,693	24,525,220
Less uncollectible revenue	332,255	208,283
Net operating revenues	25,665,438	24,316,937
Cost of sales and service:		
General support	839,975	1,041,099
Central office	2,816,271	3,084,159
Communication termination	4,388,740	2,754,442
Cable and wire facilities	1,052,101	1,245,041
Network operations	1,552,991	1,615,450
Total cost of sales and service	10,650,078	9,740,191
Gross margin	15,015,360	14,576,746
Depreciation and amortization expense	4,113,279	5,035,078
Selling, general, and administrative expense:		
Customer operations	4,430,242	4,573,701
Corporate operations	1,712,546	1,521,015
Taxes, other than income taxes	339,138	368,617
Total selling, general, and administrative expense	6,481,926	6,463,333
Net operating income	4,420,155	3,078,335
Nonoperating income (expense):		
Interest income	118,737	110,419
Equity in earnings of unconsolidated entities	1,408,034	1,600,000
Net gain (loss) on sale of investment securities	8,845	(426)
Other income (expense), net	(922)	6,314
Net nonoperating income	1,534,694	1,716,307
Income before income taxes	5,954,849	4,794,642
Income taxes	2,246,159	1,814,393
Net income	3,708,690	2,980,249
Preferred stock dividends	-	-
Net income available to common stockholders	\$ 3,708,690	\$ 2,980,249
Basic earnings per average common share, year to date	\$ 1.61	\$ 1.30
Weighted average common shares outstanding	2,297,154	2,299,646
Cash dividends per average common share	\$ 1.30	\$ 1.30

Consolidated Statements of Cashflows-Unaudited

Three Months Ending March 31,	2011	2010
Cash flows from operating activities:		
Net income	\$ 3,708,690	\$ 2,980,249
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,113,279	5,035,078
Change in the allowance for doubtful accounts	-	(25,000)
(Gain) loss on sale of investment securities	(8,845)	426
Loss on sale, disposal, and abandonment of other assets	96,258	264,228
Equity in earnings of unconsolidated entities	(1,408,034)	(1,600,000)
Deferred income taxes	2,170,220	805,863
Deferred pension and postretirement benefits	169,509	394,541
Changes in operating assets and liabilities:		
Accounts receivable	794,250	679,414
Inventory	(37,977)	(4,626,844)
Other assets	4,043,896	648,433
Accounts payable	(3,172,874)	(1,732,942)
Accrued expenses	(908,131)	5,356,715
Other liabilities	(1,043,608)	(43,608)
Net cash provided by operating activities	<u>8,516,634</u>	<u>8,136,552</u>
Cash flow from investing activities:		
Additions to property, plant, and equipment	(7,552,651)	(4,712,711)
Cost of removal of telephone plant, net of salvage	(66,640)	(74,453)
Proceeds from sale of investment securities	3,921,702	600,000
Purchases of investment securities	(927,085)	(872,754)
Distributions from unconsolidated entities	-	253,335
Net cash used in investing activities	<u>(4,624,674)</u>	<u>(4,806,583)</u>
Cash flows from financing activities:		
Acquisition of preferred stock	(290)	-
Acquisition of common stock	(5,850)	(103,584)
Cash dividends paid	(2,986,267)	(2,990,116)
Net cash used in financing activities	<u>(2,992,407)</u>	<u>(3,093,700)</u>
Net change in cash and cash equivalents	899,553	236,269
Cash and cash equivalents at beginning of year	<u>6,462,516</u>	<u>6,281,354</u>
Cash and cash equivalents at end of year	<u>\$ 7,362,069</u>	<u>\$ 6,517,623</u>
Short term investment securities at end of period	<u>\$ 12,975,153</u>	<u>\$ 13,119,722</u>
Total cash, cash equivalents, and short term investment securities	<u>\$ 20,337,222</u>	<u>\$ 19,637,345</u>
Supplemental cash flow information:		
Cash refunds of income taxes	\$ (2,800,000)	\$ (199,455)
Cash paid for interest	\$ -	\$ -

Consolidated Statements of Stockholders' Equity and Comprehensive Income-Unaudited

At March 31,	2011		2010	
Preferred stock:				
Balance, beginning	\$	2,044,600	\$	2,078,400
Acquisition of preferred stock		(500)		-
Balance, ending	\$	<u>2,044,100</u>	\$	<u>2,078,400</u>
Common stock:				
Balance, beginning	\$	11,486,020	\$	11,500,445
Acquisition of common stock		(375)		(6,640)
Balance, ending	\$	<u>11,485,645</u>	\$	<u>11,493,805</u>
Paid-capital:				
Balance, beginning	\$	25,178	\$	17,102
Acquisition of preferred stock		210		-
Balance, ending	\$	<u>25,388</u>	\$	<u>17,102</u>
Retirement plans adjustment:				
Balance, beginning	\$	(14,149,720)	\$	(11,471,968)
Current adjustment		-		-
Balance, ending	\$	<u>(14,149,720)</u>	\$	<u>(11,471,968)</u>
Unrealized appreciation (depreciation) of securities:				
Balance, beginning	\$	(104,230)	\$	2,392,322
Other comprehensive income		59,960		286,320
Balance, ending	\$	<u>(44,270)</u>	\$	<u>2,678,642</u>
Retained earnings:				
Balance, beginning	\$	128,806,992	\$	135,735,590
Net income		3,708,690	\$ 3,708,690	2,980,249
Cash dividends:				\$ 2,980,249
Preferred stock		-		-
Common stock		(2,986,267)		(2,990,116)
Acquisition of common stock in excess of stated value		(5,475)		(96,944)
Balance, ending	\$	<u>129,523,940</u>	\$	<u>135,628,779</u>
Accumulated other comprehensive income (loss):				
Balance, beginning	\$	(14,253,950)	\$	(9,079,646)
Unrealized holding gains arising during the period				
period, net of tax expense in 2011 of \$36,916 and tax				
expense in 2010 of \$187,873		59,960		286,320
Other comprehensive income		59,960	59,960	286,320
Comprehensive income		<u>\$ 3,768,650</u>	286,320	<u>\$ 3,266,569</u>
Balance, ending	\$	<u>(14,193,990)</u>	\$	<u>(8,793,326)</u>

I, Jonathan M. Cage, VP-Chief Financial Officer, Secretary, and Treasurer hereby certify that the accompanying unaudited consolidated balance sheets of North State Telecommunications Corporation and Subsidiaries as of March 31, 2011 and 2010 and the related unaudited consolidated statements of income, cash flows, and stockholders' equity and comprehensive income for the three months then ended have been prepared from the Corporation's and Subsidiaries' accounting records. Internal accounting controls and review procedures provide assurance that these statements are accurate in all material respects.

This is the 26th day of April 2011



Jonathan M. Cage
Vice President, Chief Financial Officer,
Secretary and Treasurer

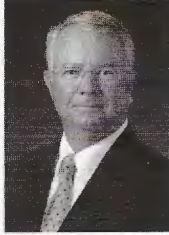
BOARD OF DIRECTORS

C. Hayden McKenzie - Chairman
Royster Tucker III - Vice Chairman
Jonathan M. Cage

William H. Dula
David L. Harman
J. Patrick Harman, Ph. D.

Coulson S. Mucher
Sarah M. Olson
Lizbeth W. Privette

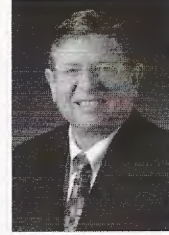
OFFICERS



C. Hayden McKenzie
Chairman and
Chief Executive Officer



Royster Tucker III
Vice Chairman, President
and Chief Operating Officer



Jonathan M. Cage
Vice President, Chief Financial Officer,
Secretary and Treasurer



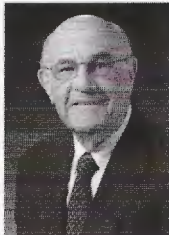
Rex H. Walsler
Vice President,
Human Resources



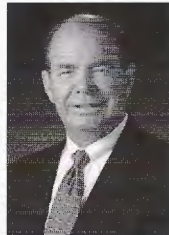
James D. McCarson
Vice President and
Chief Technology Officer



W. Mark Dula
Vice President,
Business Markets



Charles B. Williford
Vice President,
Strategic Accounts



Richard P. Worden
Vice President,
Consumer Markets

Not Shown:
J. Patrick Harman
Executive Vice President, Assistant
Secretary and Assistant Treasurer

CORPORATE OFFICES

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High Point, North Carolina 27260

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