

REDACTED – FOR PUBLIC INSPECTION

VIA ECFS

June 27, 2016

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, S.W.
Washington, D.C. 20554

RE: **REQUEST FOR CONFIDENTIAL TREATMENT**
WC Docket No. 14-58 - ETC Annual Reports and Certifications

Request that Information Submitted to the Commission be Withheld from Public Inspection Pursuant to 47 C.F.R. §0.459 and 5 U.S.C. §552(b)(4): Five-Year Service Quality Improvement Plan Progress Report included in FCC Form 481

Confidential Information – Subject to Protective Order Before the Federal Communications Commission

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, Prairie Grove Telephone Company (the Company), Study Area Code 401718 is submitting a completed FCC Form 481 to the Commission via its Electronic Comment Filing System (ECFS) in WC Docket No. 14-58. *The version of the Company's FCC Form 481 submitted via ECFS is a redacted version of the filing that contains no confidential information.*

The Company, by its authorized representative, hereby requests confidential treatment of two attachments to its FCC Form 481: (1) the five-year service quality improvement plan progress report and (2) the financial annual report, both of which were redacted in the ECFS submission. The request for confidential treatment of the five-year plan progress report is being made pursuant to Section 0.459 of the Commission's rules and Exemption 4 of the Freedom of Information Act (FOIA). The request for confidential

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Ms. Marlene Dortch

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treatment of the financial annual report is being made pursuant to the FCC's March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58. These attachments contain competitively sensitive data that Prairie Grove Telephone Company maintains as confidential and does not normally make available to the public. Release of this information would have a substantial negative impact on the Company.

Five-Year Service Quality Improvement Plan Progress Report

Pursuant to Section 0.459 of the Commission's rules and Exemption 4 of FOIA, Prairie Grove Telephone Company requests that the text and data extracted from its five-year service quality improvement plan progress report be withheld from public inspection because it contains competitively sensitive commercial and financial information that the Company maintains as confidential. Public availability of this information would have a substantial negative impact on the Company.

In accordance with Section 0.459 of the Commission's rules, the following information is provided in support of this request:

(1) Identification of the specific information for which confidential treatment is sought:

Attachment to Line 112 of FCC Form 481 – Five-Year Service Quality Improvement Plan Progress Report. Specifically, confidential treatment is sought for all information in the five-year plan progress report related to the Company's access line counts, existing broadband capabilities, and current and planned financial investments in its network that will improve service quality, service coverage, and/or service capacity for its customers.

(2) Identification of the Commission proceeding in which the information was submitted or a description of the circumstances giving rise to the submission:

The information was submitted in WC Docket No. 14-58 as an attachment to FCC Form 481- the Carrier Annual Reporting Data Collection Form. Section 100 of FCC Form 481 requires incumbent local exchange carriers receiving high cost support to attach a progress report on its five-year service quality improvement plan, pursuant to 47 C.F.R. §54.313(a)(1).

(3) Explanation of the degree to which the information is commercial or financial, or contains a trade secret or is privileged:

The five-year service quality improvement plan progress report contains granular information on the Company's access line counts and/or existing broadband capabilities as well as recent and planned capital investments in its network to

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improve service quality, service coverage, and/or service capacity. It also contains a map of the Company's service area detailing progress toward meeting broadband deployment targets at the wire center level. This is closely guarded, privileged information that the Company does not make publicly available.

- (4) Explanation of the degree to which the information concerns a service that is subject to competition:

Broadband is subject to increasing competition in the areas served by rural, rate-of-return incumbent local exchange carriers (RLECs). Virtually all RLECs face competition from one or more wireless Internet service providers. Most RLECs also face competition from at least one other wireline broadband provider, such as a larger cable company, who will typically seek to "cherry pick" the lower cost portions of the study area. In addition, all RLECs face competition throughout their territories from satellite broadband providers.

- (5) Explanation of how disclosure of the information could result in substantial competitive harm:

Disclosure of the information contained in the five-year plan progress report would provide competitors with detailed, granular information regarding the Company's access line count, its existing broadband capabilities, and its recent and planned network investments that improve service quality, coverage, and/or capacity for subscribers. This would give competitors valuable confidential information with which to develop their own strategies for investing in the service area, thereby bringing substantial competitive harm to the Company.

- (6) Identification of any measures taken by the submitting party to prevent unauthorized disclosure:

The Company has continually treated the extracted information in its five-year plan progress report as confidential and carefully controls the information to protect it from competitors. Access to the information is limited to employees that require it and to non-employees with confidentiality obligations such as lenders, consultants, auditors, and attorneys. In addition, when such information is required to be submitted to a state regulatory authority it has been filed as confidential information, not available to the public.

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- (7) Identification of whether the information is available to the public and the extent of any previous disclosure of the information to third parties:

The redacted information in the five-year plan progress report is not available to the public, and third-party access is limited as described in (6) above.

- (8) Justification of the period during which the submitting party asserts that material should not be available for public disclosure:

The Company requests that the extracted information be withheld from public inspection indefinitely. The information in the five-year plan progress report details the Company's most recent network upgrades in relation to its previously submitted service quality improvement plan. It may also contain upcoming planned network improvements during the five-year period ending 2019. This information would provide a very useful baseline for competitors for several years beyond that period.

- (9) Any other information that the party seeking confidential information treatment believes may be useful in assessing whether its request for confidentiality should be granted:

Exemption 4 of FOIA shields from public disclosure commercial or financial information obtained from a person that is privileged or confidential. Based on the responses provided above, the information in question satisfies this test.

Financial Annual Report

Section 3005 of FCC Form 481 requires a privately-held rate-of-return carrier receiving high cost support to attach a full and complete annual report of the company's financial condition and operations pursuant to 47 C.F.R. §54.313(f)(2). Prairie Grove Telephone Company seeks confidential treatment of its financial annual report pursuant to the March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58.¹ The *Protective Order* specifically covers information filed pursuant to 47 C.F.R. §54.313(f)(2).

Prairie Grove Telephone Company is providing to the Office of the Secretary, under seal, this cover letter and the Form 481 filing which includes the confidential information that is being requested to be withheld from public inspection.

Each page of the five-year service quality improvement plan progress report confidential submission bears the legend, "CONFIDENTIAL – NOT FOR PUBLIC DISCLOSURE."

¹ *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Protective Order, DA 16-296 (rel. Mar. 22, 2016).

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Each page of the financial annual report confidential submission bears the legend, "CONFIDENTIAL INFORMATION - SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

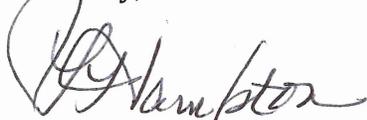
The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as attachments to the FCC Form 481.

In the filing submitted via ECFS, all pages containing confidential information bear the legend "REDACTED - FOR PUBLIC INSPECTION."

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

Please contact me if you have any questions.

Sincerely,



Lynette Hampton
Authorized Representative for
Prairie Grove Telephone Company

LH/pjf

Attachments

cc: Mr. Rick Reed, Prairie Grove Telephone Company

**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 | 401718 |
| <015> Study Area Name | PRAIRIE GROVE TEL CO |
| <020> Program Year | 2017 |
| <030> Contact Name: Person USAC should contact with questions about this data | Rick Reed |
| <035> Contact Telephone Number: Number of the person identified in data line <030> | 4798467227 ext. |
| <039> Contact Email Address: Email of the person identified in data line <030> | treed@pgtc.com |
| Form Type | 54.313 and 54.422 |

| | |
|---|--|
| (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 | 401718 |
| <015> | Study Area Name | PRAIRIE GROVE TEL CO |
| <020> | Program Year | 2017 |
| <030> | Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.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, please 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.

401718ar112.pdf

Name of Attached Document

Please select the appropriate responses below (Yes, No, Not Applicable) 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 much (USF) was used to improve service quality and how support was used to improve service quality
- <116> How much (USF) was used to improve service coverage and how support was used to improve service coverage
- <117> How much (USF) was used to improve service capacity and how support was used to improve service capacity
- <118> Provide an explanation of network improvement targets not met in the prior calendar year.

| |
|----------------|
| Yes |
| Not Applicable |

**(300) Unfulfilled Service Request
Data Collection Form**

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

| | |
|---|----------------------|
| <010> Study Area Code | 401718 |
| <015> Study Area Name | PRAIRIE GROVE TEL CO |
| <020> Program Year | 2017 |
| <030> Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com |

<300> Unfulfilled service request (voice)

<310> Detail on attempts (voice)

Name of Attached Document

<320> Unfulfilled service request (broadband)

401718ar330.pdf

<330> Detail on attempts (broadband)

Name of Attached Document

(400) Number of Complaints per 1,000 customers
Data Collection Form

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

| | | | |
|-------|--|------------------------------|-------|
| <010> | Study Area Code | 401718 | |
| <015> | Study Area Name | PRAIRIE GROVE TEL CO | |
| <020> | Program Year | 2017 | |
| <030> | Contact Name - Person USAC should contact regarding this data | Rick Reed | |
| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. | |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com | |
| <400> | Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. | Offered only fixed voice | |
| <410> | Complaints per 1000 customers for fixed voice | | 0 . 0 |
| <420> | Complaints per 1000 customers for mobile voice | | |
| <430> | Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. | Offered only fixed broadband | |
| <440> | Complaints per 1000 customers for fixed broadband | | 0 . 0 |
| <450> | Complaints per 1000 customers for mobile broadband | | |

**(500) Compliance With Service Quality Standards and Consumer Protection Rules
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

| | | |
|-------|--|----------------------|
| <010> | Study Area Code | 401718 |
| <015> | Study Area Name | PRAIRIE GROVE TEL CO |
| <020> | Program Year | 2017 |
| <030> | Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com |
| <500> | Certify compliance with applicable service quality standards and consumer protection rules | Yes |

401718ar510.pdf

<510> Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance

**(600) Functionality in Emergency Situations
Data Collection Form**FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

| | | |
|-------|---|----------------------|
| <010> | Study Area Code | 401718 |
| <015> | Study Area Name | PRAIRIE GROVE TEL CO |
| <020> | Program Year | 2017 |
| <030> | Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com |
| <600> | Certify compliance regarding ability to function in emergency situations | Yes |
| <610> | Descriptive document for Functionality in Emergency Situations | 401718ar610.pdf |

**(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 | 401718 |
| <015> Study Area Name | PRAIRIE GROVE TEL CO |
| <020> Program Year | 2017 |
| <030> Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com |

<900> Does the filing entity offer tribal land services? (Y/N) No

<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 or No or Not Applicable |
|--|
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**(1000) Voice and Broadband Service Rate Comparability
Data Collection Form**

FCC Form 481

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

July 2013

| | | |
|-------|---|----------------------|
| <010> | Study Area Code | 401718 |
| <015> | Study Area Name | PRAIRIE GROVE TEL CO |
| <020> | Program Year | 2017 |
| <030> | Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com |

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 401718ar1010.pdf

Name of Attached Document

<1020> Broadband comparability certification Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance 401718ar1030.pdf

Name of Attached Document

| | |
|--|--|
| (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 | 401718 |
| <015> | Study Area Name | PRAIRIE GROVE TEL CO |
| <020> | Program Year | 2017 |
| <030> | Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com |

<1100> Certify whether terrestrial backhaul options exist (Y/N)

<1130> Please select the appropriate response (Yes, No, Not Applicable) 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 | 401718 |
| <015> | Study Area Name | PRAIRIE GROVE TEL CO |
| <020> | Program Year | 2017 |
| <030> | Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com |

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP <http://www.pgtc.com/?q=residential-telephone>

“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 |
| <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i> | July 2013 |

| | | |
|--------------------|---|----------------------|
| <010> | Study Area Code | 401718 |
| <015> | Study Area Name | PRAIRIE GROVE TEL CO |
| <020> | Program Year | 2017 |
| <030> | Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com |

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental 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)(i) - Note that for the July 1 2016 certification, this applies to Round 2 recipients of Incremental Support | <input style="width: 100%;" type="text"/> | |
| <2011> 3rd Year Certification 47 CFR § 54.313(b)(1)(ii) - Note that for the July 1 2016 certification, this applies to Round 1 recipients of Incremental Support | <input style="width: 100%;" type="text"/> | |
| <2022> Recipient certifies, representing year two after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only. | <input style="width: 100%;" type="text"/> | |
| <2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year two - 54.313(b)(2)(ii). Round 2 recipients only. | <input style="width: 100%;" type="text"/> | |
| <2024A> Round 2 Recipient of Incremental Support? | <input style="width: 100%;" type="text"/> | <input style="width: 100%; height: 40px;" type="text"/> |
| <2024B> Attach list of census blocks indicating where funding was spent in year two - 54.313(b)(2)(ii). Round 2 recipients only. | Name of Attached Document Listing Required Information | <input style="width: 100%; height: 40px;" type="text"/> |
| <2025A> Round 1 or Round 2 Recipient of Incremental Support? | <input style="width: 100%;" type="text"/> | |
| <2025B> Attach geocoded Information for Phase I milestone reports (Round 1 for year three and Round 2 for year two) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13- | Name of Attached Document Listing Required Information | <input style="width: 100%; height: 40px;" type="text"/> |
| <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4) | | <input style="width: 100%;" type="text"/> |

(2000) Price Cap Carrier Additional Documentation (Continued)

Data Collection Form

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

FCC Form 481

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

July 2013

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)}

<2017A> Connect America Fund Phase II recipient?

<2017B> Attach information for Phase II - 54.313(e)(1) - list of geocoded locations already meeting the 54.309 public interest obligations at the end of calendar year 2015 and total amount of Phase II support, if any, the price

Name of Attached Document Listing
Required Information

cap carrier used for capital expenditures in 2015.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(2)(ii)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(2)(v)

<2020> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 40% of its supported locations in the state on December 31, 2017 - 54.313(e)(3)

<2021> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 60% of its supported locations in the state on December 31, 2018 - 54.313(e)(4)

<2026> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 80% of its supported locations in the state on December 31, 2019 - 54.313(e)(5)

<2027> Recipient certifies that it offered broadband meeting the requisite public interest obligations specified in §54.309 to 100% of its supported locations in the state on December 31, 2020 - 54.313(e)(6)

| | | |
|-------|---|----------------------|
| <010> | Study Area Code | 401718 |
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| <020> | Program Year | 2017 |
| <030> | Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com |

Complete the items below to note compliance with 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.

(3009) Progress Report on 5 Year Plan
Carrier certifies to 54.313(f)(1)(iii)

(3010A) Milestone Certification {47 CFR § 54.313(f)(1)(i)} Yes - Attach Certification

(3010B) Please Provide Attachment Name of Attached Document Listing Required Information

(3012A) Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)} No - No New Community Anchors

(3012B) Please Provide Attachment Name of Attached Document Listing Required Information

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

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

Please check these boxes to confirm that the attached PDF, 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) with 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)

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 Borrowers

(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3021) Management letter and/or audit opinion 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

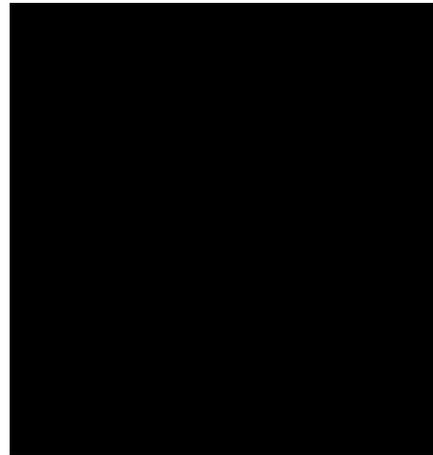
(3026) Attach the worksheet listing required information Name of Attached Document Listing Required Information

| | |
|---|---|
| (3005) Rate Of Return Carrier Additional Documentation (Continued) | FCC Form 481 |
| Data Collection Form | OMB Control No. 3060-0986/OMB Control No. 3060-0819 |
| | July 2013 |

| | |
|---|----------------------|
| <010> Study Area Code | 401718 |
| <015> Study Area Name | PRAIRIE GROVE TEL CO |
| <020> Program Year | 2017 |
| <030> Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> Contact Email Address - Email Address of person identified in data line <030> | treed@pctc.com |

Financial Data Summary

- (3027) Revenue
- (3028) Operating Expenses
- (3029) Net Income
- (3030) Telephone Plant In Service(TPIS)
- (3031) Total Assets
- (3032) Total Debt
- (3033) Total Equity
- (3034) Dividends



| | | |
|-------|---|----------------------|
| <010> | Study Area Code | 401718 |
| <015> | Study Area Name | PRAIRIE GROVE TEL CO |
| <020> | Program Year | 2017 |
| <030> | Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> | Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com |

4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission's public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year. Name of Attached Document Listing Required Information

Broadband Deployment Locations – FCC 14-98 (paragraph 80)

4004a. Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481. Name of Attached Document Listing Required Information

4004b. Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area. 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 |
|---|--|

| | |
|---|----------------------|
| <010> Study Area Code | 401718 |
| <015> Study Area Name | PRAIRIE GROVE TEL CO |
| <020> Program Year | 2017 |
| <030> Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.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: | |
| 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: |
| 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 |
|---|--|

| | |
|--|----------------------|
| <010> Study Area Code | 401718 |
| <015> Study Area Name | PRAIRIE GROVE TEL CO |
| <020> Program Year | 2017 |
| <030> Contact Name - Person USAC should contact regarding this data | Rick Reed |
| <035> Contact Telephone Number - Number of person identified in data line <030> | 4798467227 ext. |
| <039> Contact Email Address - Email Address of person identified in data line <030> | treed@pgtc.com |

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

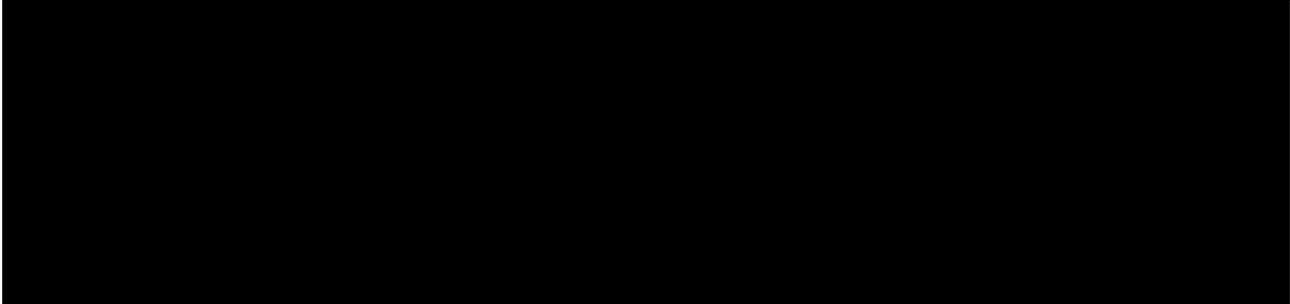
| Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier | |
|---|--|
| <p>I certify that (Name of Agent) <u>Moss Adams LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that 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: | <u>Moss Adams LLP</u> |
| Name of Reporting Carrier: | <u>PRAIRIE GROVE TEL CO</u> |
| Signature of Authorized Officer: | <u>CERTIFIED ONLINE</u> Date: <u>06/24/2016</u> |
| Printed name of Authorized Officer: | <u>Rick Reed</u> |
| Title or position of Authorized Officer: | <u>Secretary/Treasurer & Gen. Mgr.</u> |
| Telephone number of Authorized Officer: | <u>4798467227 ext.</u> |
| Study Area Code of Reporting Carrier: | <u>401718</u> Filing Due Date for this form: <u>07/01/2016</u> |
| <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: | <u>PRAIRIE GROVE TEL CO</u> |
| Name of Authorized Agent Firm: | <u>Moss Adams LLP</u> |
| Signature of Authorized Agent or Employee of Agent: | <u>CERTIFIED ONLINE</u> Date: <u>06/24/2016</u> |
| Name of Authorized Agent Employee: | <u>Lynette Hampton</u> |
| Title or position of Authorized Agent or Employee of Agent | <u>Telecommunications Consulting Manager</u> |
| Telephone number of Authorized Agent or Employee of Agent: | <u>5126527725 ext.</u> |
| Study Area Code of Reporting Carrier: | <u>401718</u> Filing Due Date for this form: <u>07/01/2016</u> |
| <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

**LINE 112 – FIVE-YEAR SERVICE QUALITY IMPROVEMENT PLAN
PROGRESS REPORT**



The Company received \$3,516,447 in Universal Service Fund (“USF”) support in calendar year

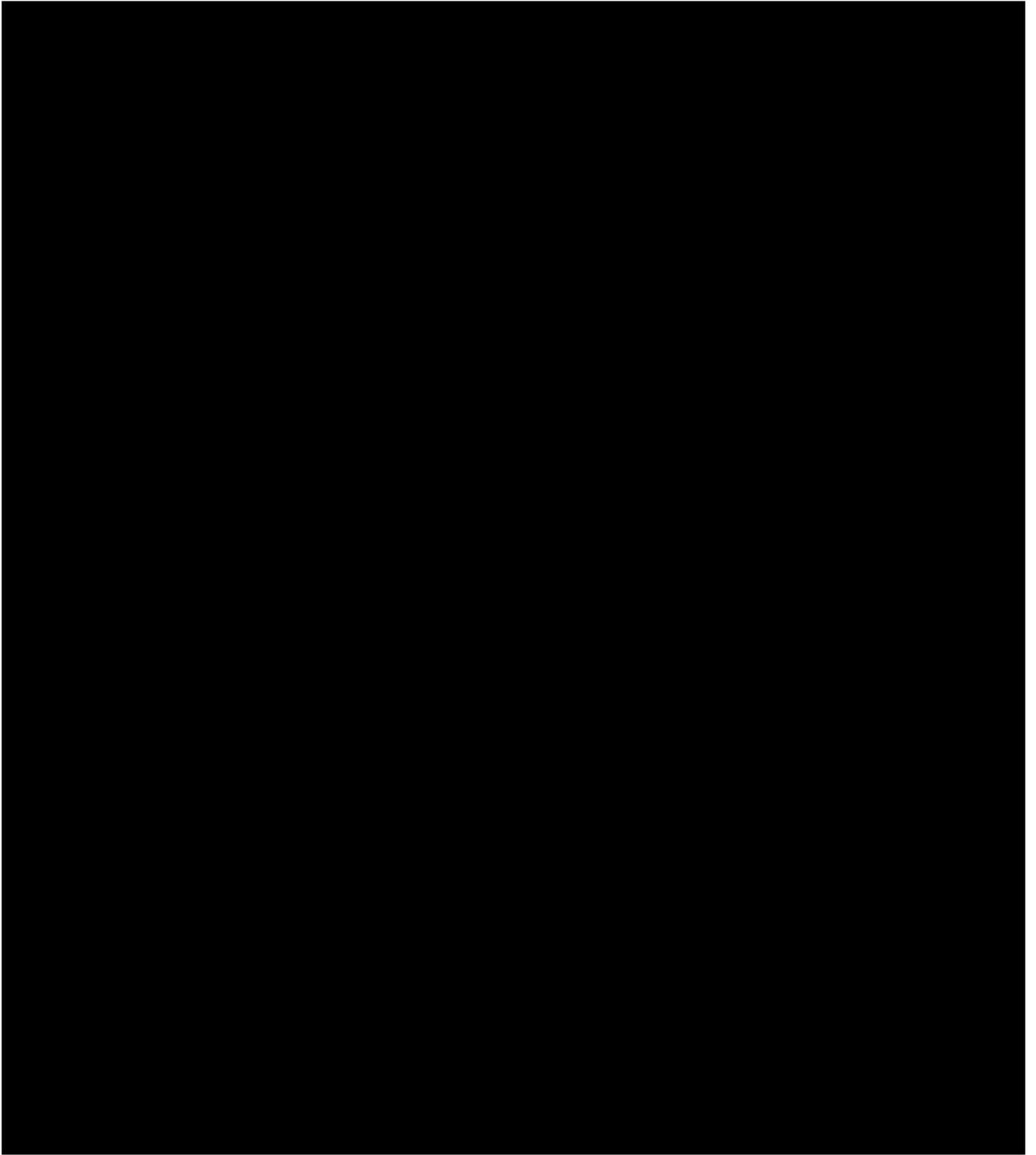


Service Quality Improvement Plan Progress Report

| Exchange | Description of Improvement | 2015 Planned | Actual Spent in 2015 |
|-----------------|-----------------------------------|---------------------|-----------------------------|
| | | | |

REDACTED - FOR PUBLIC INSPECTION

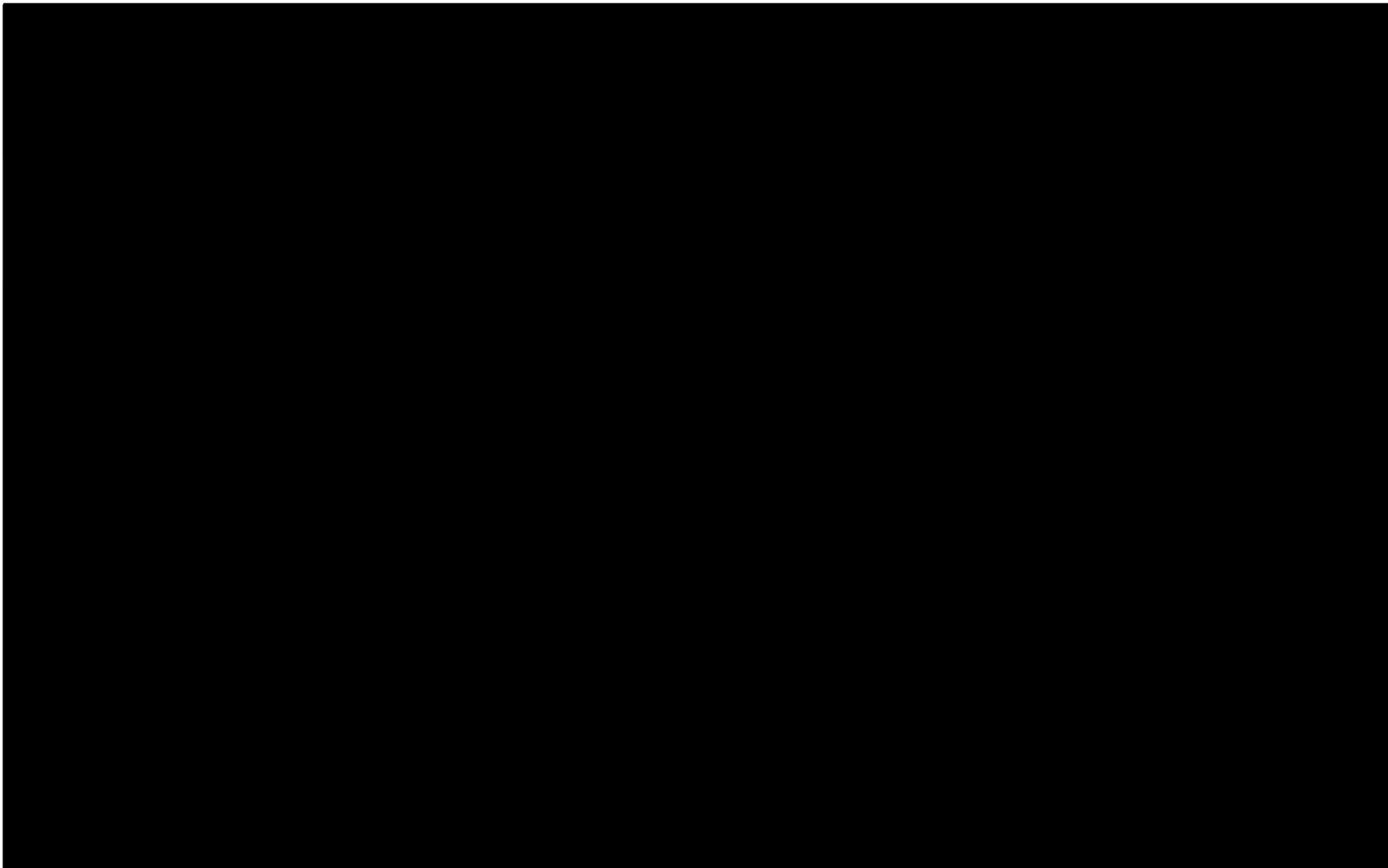
Year End 2015 Progress Report Description



REDACTED - FOR PUBLIC INSPECTION



REDACTED - FOR PUBLIC INSPECTION



LINE 330 – EXPLANATION OF UNFULFILLED BROADBAND REQUESTS



LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE

Prairie Grove Telephone Company complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Company operates are outlined in its local exchange tariff, which is approved by the Arkansas Public Service Commission. The tariff contains provisions regarding the Company's customer service and protection practices.

Service quality standards for voice service are established by the state commission. The Company consistently meets or exceeds those standards and provides reports to the state commission, in accordance with the state commission's rules.

With regard to broadband service, the Company provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a "best effort" service and are dependent upon a number of variables, many of which are outside the control of the Company. The Company also complies with the FCC's Open Internet rules, 47 C.F.R. §§8.3-8.11. These rules prohibit blocking, throttling, and paid prioritization, and also require transparency of network management practices, performance, and the commercial terms of broadband services.

The Company complies with any and all consumer protection obligations under state law.

The Company also complies with the following consumer best practices: (1) the Company discloses its rates and terms of service to customers; (2) the Company provides specific disclosures in its advertising; (3) the Company separately identifies carrier charges from taxes on its billing statements; (4) the Company provides ready access to customer service; (5) the Company promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Company abides by policies for protection of consumer privacy.

Finally, the Company has a policy and established operating procedures that comply with the FCC's Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011). Certification of the Company's compliance with CPNI rules and a description of the Company's operating procedures that ensure compliance are filed annually with the FCC.

LINE 610 - ABILITY TO FUNCTION IN EMERGENCY SITUATIONS

Prairie Grove Telephone Company is able to function in emergency situations for both voice and broadband service. The Company has a reasonable amount of back-up power to ensure functionality without an external power source. Standby power generators are supplied at the central office, remote switch sites, and repeater sites to ensure functionality without an external power source until power is restored. The network is capable of managing traffic spikes resulting from emergency situations.

The Company is able to reroute traffic around damaged facilities. Although the Company's ability to reroute traffic around damaged facilities is not absolute and may be limited in certain circumstances, there is a restoration plan in place for expeditious recovery of service, including splicing of damaged facilities when warranted.

LINE 1010 – VOICE SERVICES RATE COMPARABILITY

The Wireline Competition Bureau's most recent reasonable comparability benchmark for voice services is \$47.48, which includes the federal subscriber line charge ("SLC").¹

In the exchanges served by Prairie Grove Telephone Company the highest single-line residential local rate, including any mandatory extended area service charge is \$15.73. When the federal SLC (\$6.50) is included, the rate was \$22.23. Therefore, the Company's pricing of fixed voice services in 2015 was less than the reasonable comparability benchmark of \$47.48.

¹ *Wireline Competition Bureau Announces Results of 2015 Urban Rate Survey for Fixed Voice and Broadband Services and Posting of Survey Data and Explanatory Notes*, Public Notice, WC Docket No. 10-90, DA 15-470 (rel. April 16, 2015).

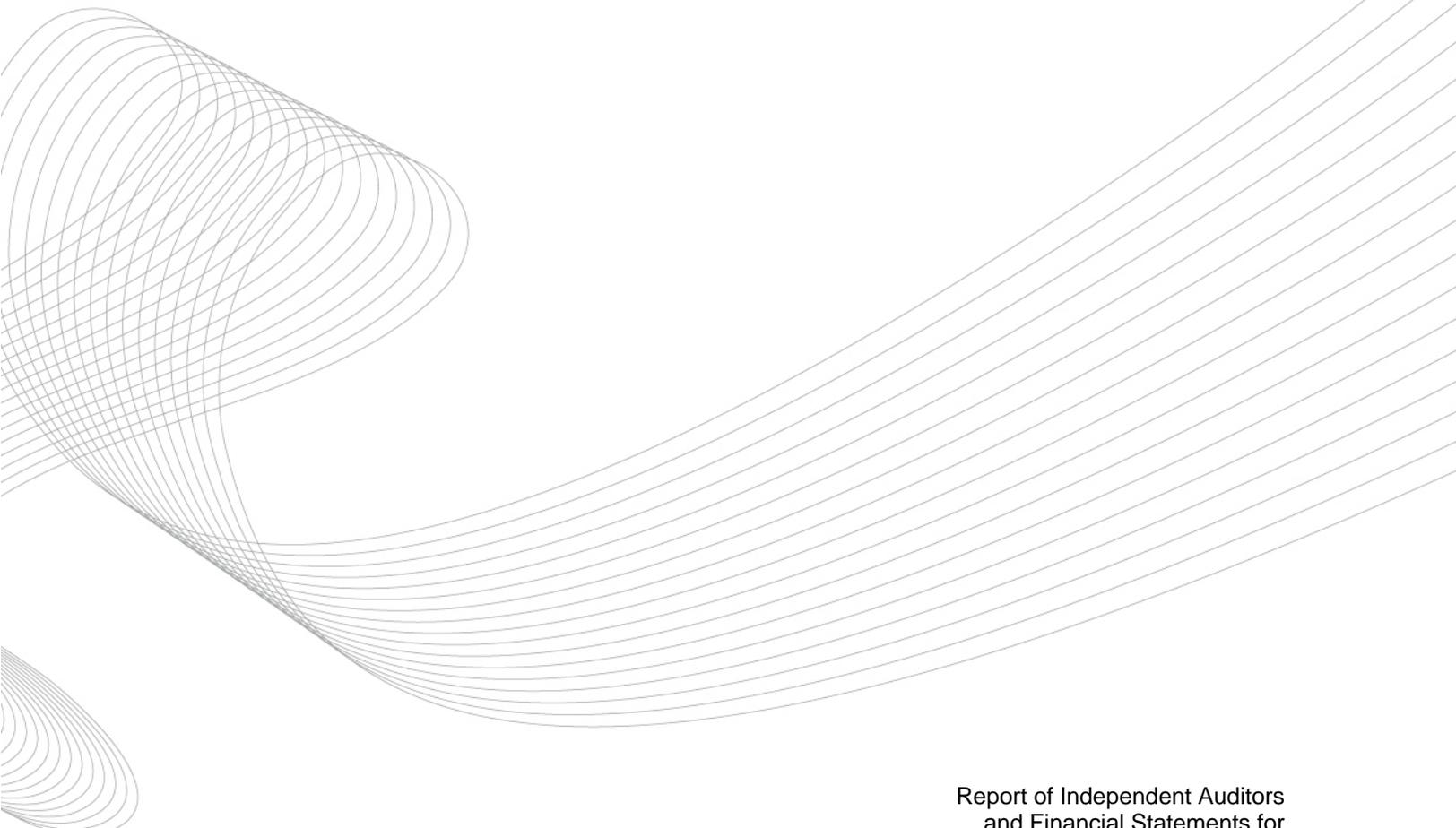
LINE 1030 – BROADBAND SERVICES RATE COMPARABILITY

In 2015, Prairie Grove Telephone Company charged a residential rate of \$49.90 for broadband providing 10 Mbps download, 1 Mbps upload, and an unlimited usage allowance. This rate is lower than \$77.80, which is the 2015 reasonable comparability benchmark for the same offering established by the Wireline Competition Bureau.¹

¹ *Wireline Competition Bureau Announces Results of 2015 Urban Rate Survey for Fixed Voice and Broadband Services and Posting of Survey Data and Explanatory Notes*, Public Notice, WC Docket No. 10-90, DA 15-470 (rel. April 16, 2015).

LINE 3010 – MILESTONE CERTIFICATION

Prairie Grove Telephone Company (“the Company”) hereby certifies that it has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to reasonably comparable offerings in urban areas, at rates that are reasonably comparable to rates for comparable offerings in urban areas, and that requests for such service are met within a reasonable amount of time. If the Company determines that a request for broadband at actual speeds of at least 10 Mbps downstream/1 Mbps upstream is unreasonable, and offering broadband service at actual speeds of at least 4 Mbps downstream/1 Mbps upstream is reasonable, the Company offers broadband service of at least 4 Mbps downstream/1 Mbps upstream.



Report of Independent Auditors
and Financial Statements for

**Prairie Grove
Telephone Company**

December 31, 2015 and 2014

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

CONTENTS

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| FINANCIAL STATEMENTS | |
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| Statements of stockholder's equity | 6 |
| Statements of cash flows | 7 |
| Notes to financial statements | 8-14 |

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Prairie Grove Telephone Company

Report on the Financial Statements

We have audited the accompanying financial statements of Prairie Grove Telephone Company, which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income, stockholder's 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 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate for 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 financial statements.

To the Board of Directors
Prairie Grove Telephone Company

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 financial statements referred to above present fairly, in all material respects, the financial position of Prairie Grove Telephone Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

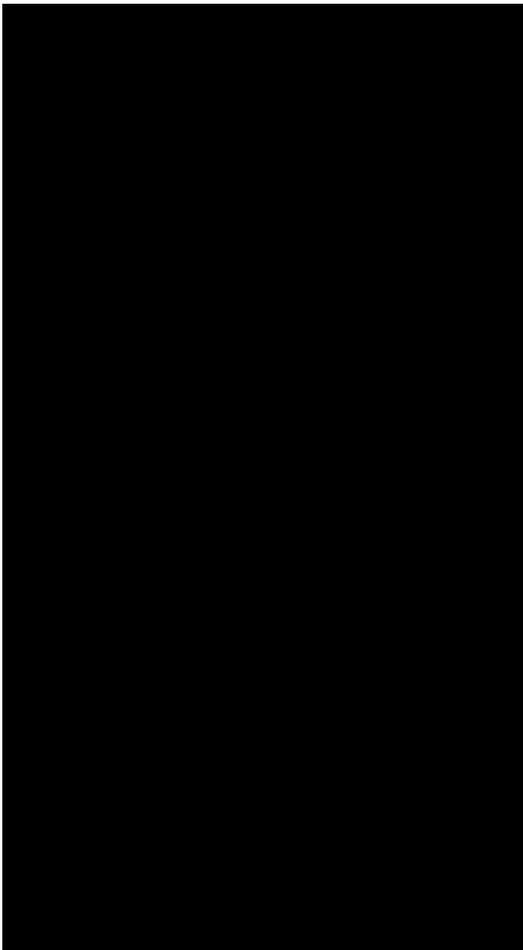
Overland Park, Kansas
May 6, 2016

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**PRAIRIE GROVE TELEPHONE COMPANY
BALANCE SHEETS**

ASSETS

| | December 31, | |
|---|--------------|------|
| | 2015 | 2014 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | | |
| Accounts receivable | | |
| Telecommunications accounts receivable | | |
| Settlements and access accounts receivable | | |
| Affiliate accounts receivable | | |
| Materials and supplies | | |
| Prepaid expenses and other current assets | | |
| Total current assets | | |
| INVESTMENTS AND NONCURRENT ASSETS | | |
| Investments in nonaffiliates | | |
| Other assets | | |
| Total investments and noncurrent assets | | |
| PROPERTY, PLANT, AND EQUIPMENT | | |
| Regulated telecommunications plant in service | | |
| Regulated telecommunications plant under construction | | |
| Nonregulated telecommunications plant in service | | |
| Less accumulated depreciation | | |
| Net property, plant and equipment | | |
| Total assets | | |



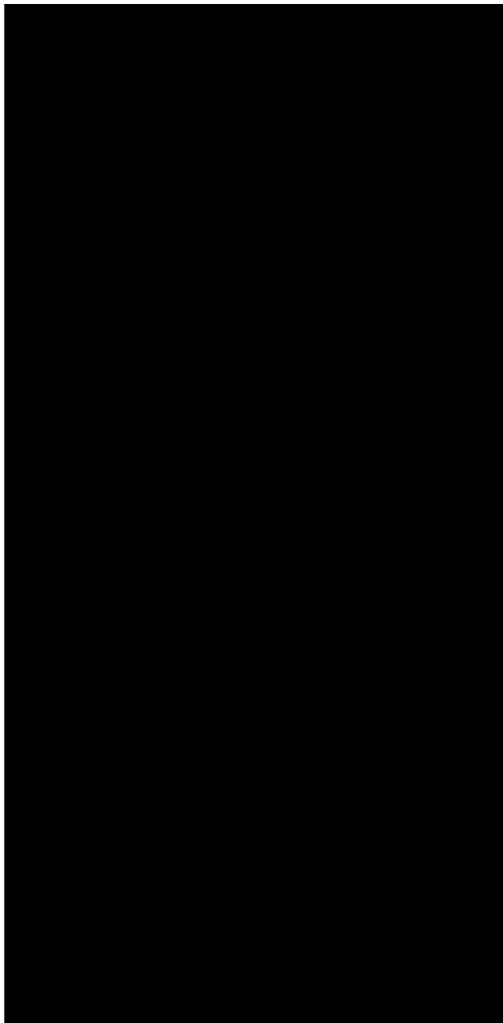
PRAIRIE GROVE TELEPHONE COMPANY
BALANCE SHEETS

LIABILITIES AND STOCKHOLDER'S EQUITY

| | December 31, | |
|--|--------------|------|
| | 2015 | 2014 |
| CURRENT LIABILITIES | | |
| Accounts payable | | |
| Accounts payable, affiliates | | |
| Accrued liabilities | | |
| Total current liabilities | | |
| LONG-TERM LIABILITIES | | |
| Deferred credits | | |
| STOCKHOLDER'S EQUITY | | |
| Capital stock, [REDACTED] par value, [REDACTED] shares authorized, [REDACTED] shares issued and outstanding | | |
| Additional paid-in capital | | |
| Retained earnings | | |
| Total stockholder's equity | | |
| Total liabilities and stockholder's equity | | |

PRAIRIE GROVE TELEPHONE COMPANY
STATEMENTS OF INCOME

| | <u>Years Ended December 31,</u> | |
|------------------------------------|---------------------------------|-------------|
| | <u>2015</u> | <u>2014</u> |
| OPERATING REVENUES | | |
| Wireline | | |
| Customer | | |
| Intercarrier | | |
| Interstate | | |
| Intrastate | | |
| Universal service support, federal | | |
| Universal service support, state | | |
| Miscellaneous | | |
| Total operating revenues | | |
| OPERATING EXPENSES | | |
| Plant specific operations | | |
| Plant nonspecific operations | | |
| Depreciation and amortization | | |
| Customer operations | | |
| Corporate operations | | |
| Other operating taxes | | |
| Nonregulated | | |
| Total operating expenses | | |
| Net operating income | | |
| NONOPERATING INCOME (EXPENSE) | | |
| Interest and dividend income | | |
| Other nonoperating expense | | |
| Total nonoperating expense | | |
| Net income | | |

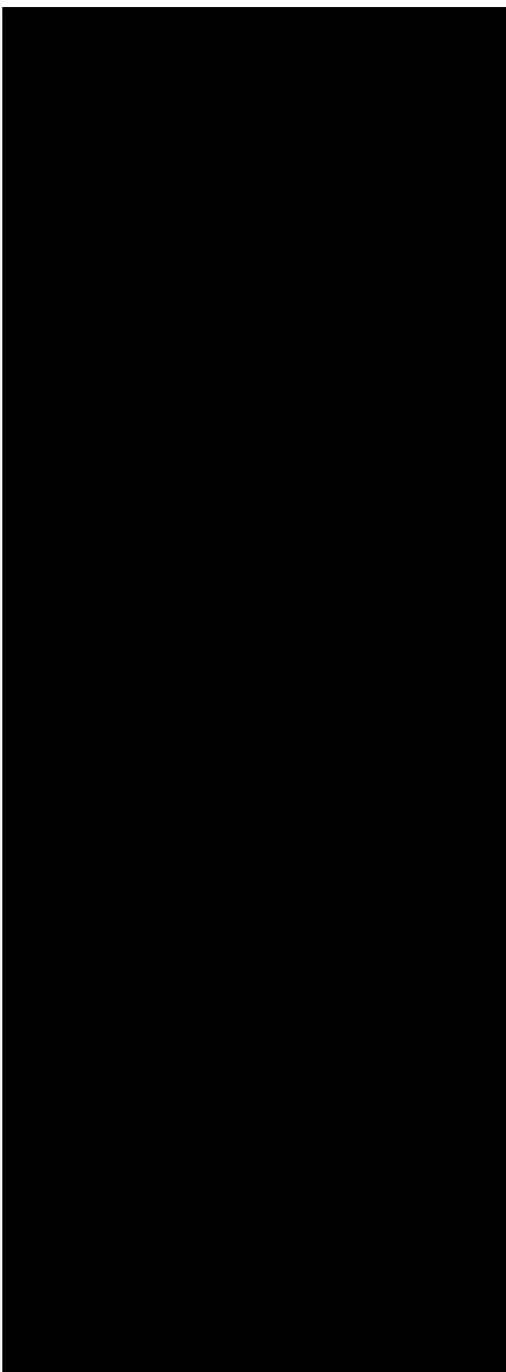


PRAIRIE GROVE TELEPHONE COMPANY
STATEMENTS OF STOCKHOLDER'S EQUITY

| | <u>Capital Stock</u> | <u>Paid-in Capital</u> | <u>Retained Earnings</u> | <u>Total</u> |
|----------------------------|--------------------------|----------------------------|------------------------------|--------------|
| BALANCE, December 31, 2013 | | | | |
| Net income | | | | |
| Dividends | | | | |
| BALANCE, December 31, 2014 | | | | |
| Net income | | | | |
| Dividends | | | | |
| BALANCE, December 31, 2015 | | | | |

PRAIRIE GROVE TELEPHONE COMPANY
STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | |
|--|--------------------------|------|
| | 2015 | 2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | | |
| Adjustments to reconcile net income to net cash from operating activities | | |
| Depreciation and amortization | | |
| Noncash income from investment | | |
| Change in assets and liabilities | | |
| Accounts receivable | | |
| Telecommunications accounts receivable | | |
| Settlements and access accounts receivable | | |
| Change in receivables/payables from affiliates | | |
| Materials and supplies | | |
| Prepaid expenses and other current assets | | |
| Accounts payable | | |
| Accrued liabilities | | |
| Deferred credits | | |
| Net cash from operating activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of telecommunications plant | | |
| Redemption of investments | | |
| Proceeds from sales of telecommunications plant | | |
| Net cash from investing activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | | |
| Net cash from financing activities | | |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | |
| CASH AND CASH EQUIVALENTS, beginning of year | | |
| CASH AND CASH EQUIVALENTS, end of year | | |
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Investment transfer from affiliate | | |



PRAIRIE GROVE TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Description of entity – Prairie Grove Telephone Company (the Company) is a telecommunications company located in Prairie Grove, Arkansas. The Company provides landline telecommunications services to rural portions of northwest Arkansas. The Company is a wholly-owned subsidiary of DD&B, Inc. (the Parent).

The Company was incorporated under the laws of the state of Arkansas on October 4, 1906.

Accounting policies – The financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America that are applicable to rate-regulated public utilities. Such accounting principles are consistent, in all material respects, with accounting principles prescribed by the Federal Communications Commission (FCC) under Part 32, *Uniform System of Accounts for Telecommunications Companies*.

Accounting estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include depreciation expense and interstate access revenue settlements. Actual results could differ from those estimates.

Cash and cash equivalents – For the purposes of the statements of cash flows, the Company considers all highly-liquid investments purchased with a maturity of three months or less to be cash equivalents.

Valuation of accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. The Company reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from subscribers are due 30 days after issuance of the subscriber bill. Receivables from other exchange carriers are typically outstanding 30 to 60 days before payment is due. Management provides for probable uncollectible amounts by directly reducing the account receivable based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off directly to accounts receivable. Management believes it has established adequate reserves for any risk associated with these receivables. At December 31, 2015 and 2014, management determined an allowance for doubtful accounts was not necessary.

PRAIRIE GROVE TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

Materials and supplies – Materials and supplies consist of fiber-optic cable, metallic cable, telephone equipment, and materials related to the telecommunications industry. Materials and supplies are stated at the lower of average cost or market.

Investments in nonaffiliates – Investments in nonaffiliates consist of the Company's ownership of the common stock of Associated Network Partners, Inc., NECA Services, Inc., National Rural Telecommunications Cooperative, and other miscellaneous investments. These investments have no readily determinable fair value and are recorded at cost. The Company has not identified any circumstances that would indicate possible impairments to the carrying values.

Property, plant, and equipment – Property, plant, and equipment are stated at original cost when first devoted to public service and includes assets that are jointly used for regulated and nonregulated activities. The cost of additions and substantial betterments of property, plant, and equipment is capitalized. The cost of additions to plant includes contracted work, direct labor, materials, and allocable overheads. The cost of maintenance and repairs is charged to operating expenses.

Property, plant, and equipment are depreciated using straight-line methods over their estimated useful lives. In accordance with composite group depreciation methodology, when a portion of the Company's depreciable property, plant, and equipment is retired in the ordinary course of business, the original cost is charged to accumulated depreciation.

Long-lived assets – The Company reviews the carrying value of its nonregulated long-lived assets for impairment whenever certain triggering events or changes in circumstances indicate that the carrying amounts of any asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the excess of the carrying amount over the fair value of the assets. No triggering events were identified by management for the years ended December 31, 2015 and 2014.

Revenue recognition – Monthly service fees derived from local network service are billed one month in advance but recognized in the month that service is provided.

Usage sensitive revenues, such as access (revenues earned for originating/terminating long-distance calls) and long-distance, are generally billed as a per-minute charge.

**PRAIRIE GROVE TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies (continued)

Network access revenues also include settlements based on the Company’s participation in the revenue pools administered by the National Exchange Carrier Association (NECA). Settlement revenues are determined by annually prepared separations and interstate access cost studies. These studies are prepared subsequent to year-end and, therefore, the related revenues are recorded on the books based on an estimate of the Company’s costs, NECA pool earnings, and on other assumptions related to information utilized in the preparation of the Company’s cost study. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. The studies are subject to a 24-month pool adjustment period by NECA. Revenues were increased by [REDACTED] for adjustments related to prior year differences between the recorded estimates and actual revenues in 2015 and 2014, respectively. Management does not anticipate that the 2015 and 2014 recorded revenues will require significant adjustment in future years.

Network access revenues include settlements from NECA that compensate the Company for the digital subscriber line transport related to the provision of Internet services by its nonregulated affiliate.

The Company’s wireline Universal Service Fund (USF) revenue is intended to compensate the Company for the high cost of providing rural telephone service. USF revenue includes funds received for high cost loop support (HCLS), interstate common line support (ICLS), Connect America Fund (CAF), Arkansas High Cost Fund (ARHCF), and other miscellaneous programs. HCLS and ICLS are based on the Company’s current relative level of operating expense and plant investment. Support from the CAF is based on a historical frozen amount related to 2011 investment and expenses associated with the switching function and certain 2011 intrastate access revenues, which together make up the CAF base. The CAF base will be reduced by five percent each year in determining CAF support. The ARHCF is a state USF provided to telecommunications companies in Arkansas and is allocated to each company based on their relative uncapped federal HCLS.

Regulation – The Company’s services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues and ARHCF are regulated by the Arkansas Public Service Commission. The FCC also has assumed preemptive authority to regulate intrastate telecommunications services, including intrastate access rates.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal service support revenues are administered by Universal Service Administrative Company, based on rules established by the FCC.

Other sources of revenues are not rate regulated. They include long-distance, equipment sales, directory, rents, billing, and other incidental services.

Nonregulated expenses and nonregulated plant are directly attributable to nonregulated services.

PRAIRIE GROVE TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies (continued)

All other operating expenses and telecommunications plant are related primarily to wireline revenues; however, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlement, USF, rate case, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed in accordance with Part 64 of the FCC rules in order to ensure regulated revenues are based on costs of providing regulated services.

On March 30, 2016, the FCC released its Rate of Return USF Reform Order. The Order creates two paths for USF support, reduces the allowable rate of return, contains broadband deployment milestones, and limitations on operating expenses and capital expenditures. Management is monitoring the impacts of the reform on an on-going basis.

Concentration of market risk – The Company receives a significant portion of its annual operating revenues from federal and state USF. For the years ended December 31, 2015 and 2014, revenues from federal and state USF represent approximately [REDACTED], respectively, of operating revenues.

Concentrations of credit risk – The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally-insured limits. The insured limit is \$250,000 per institution. The Company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Income taxes – The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code and files a consolidated income tax return with DD&B, Inc. Earnings and losses are included in the personal income tax returns of the stockholders and taxed depending on their personal tax strategies. Accordingly, the Company will not incur income tax obligations, and financial statements do not include a provision for income taxes.

The Company records uncertain tax positions if the likelihood the position will be sustained upon examinations is less than 50 percent. As of December 31, 2015 and 2014, the Company had no amounts related to uncertain tax positions. In accordance with the *Uniform System of Accounts* prescribed by the FCC, interest and penalties, if any, are recorded as interest expense and other expense, respectively, and are excluded from income tax expense.

Taxes imposed by governmental authorities – The Company’s customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with its customers. These specific taxes are charged to and collected from the Company’s customers and are subsequently remitted to the appropriate taxing authority. These taxes are accounted for on a net basis and are excluded from revenues.

**PRAIRIE GROVE TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies (continued)

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through May 6, 2016, which is the date the financial statements are available to be issued.

Reclassification – Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation. These reclassifications had no effect on net income or stockholder’s equity as previously reported.

Note 2 – Property, Plant, and Equipment

Telecommunications plant balances, together with accumulated depreciation, consist of the following at December 31:

| | Depreciable Life | Plant Account | Accumulated Depreciation | 2015 Net Balance | 2014 Net Balance |
|---------------------------------------|---------------------|------------------|-----------------------------|---------------------|---------------------|
| Regulated telecommunications plant | | | | | |
| General support assets | | | | | |
| Central office assets | | | | | |
| Cable and wire facilities assets | | | | | |
| Leasehold improvements | | | | | |
| Plant under construction | | | | | |
| Nonregulated telecommunications plant | | | | | |
| Pay stations | | | | | |
| Leased phones | | | | | |
| General support assets | | | | | |

PRAIRIE GROVE TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 3 - Deferred Credits

Deferred credits consist of the long-term portion of unearned lease revenue associated with a dark fiber indefeasible right to use (IRU) agreement in which the Company received advanced payment totaling [REDACTED]. The Company recognizes the lease revenue over the 20-year term of the IRU.

Note 4 - 401(k) Plan

The Company has a 401(k) profit-sharing plan covering substantially all employees. The Company matches 50 percent of the first six percent of the employees' contributions. The Company's contributions to the plan are determined annually by the Board of Directors. Contributions to the plan were approximately [REDACTED], respectively, for the years ended December 31, 2015 and 2014.

Note 5 - Related-Party Transactions

The Company, in the normal course of business, provides local, long-distance, and wholesale DSL services at tariffed rates to related parties. Wholesale DSL charges billed to the related parties were [REDACTED] respectively, for the years ended December 31, 2015 and 2014.

The Company leases vehicles from the Parent. These leases were renewed effective January 1, 2016 with a 36-month term. Lease payments for the vehicles were approximately [REDACTED] for the years ended December 31, 2015 and 2014.

The Company has a lease agreement with the Parent for a warehouse. The lease is for a 60-month period beginning January 1, 2013. Lease payments were approximately [REDACTED] for the years ended December 31, 2015 and 2014.

Future minimum rentals based on fully distributed cost for all lease commitments are estimated to be as follows:

| | <u>DD&B, Inc.</u> <u>Vehicle Lease</u> | <u>DD&B, Inc.</u> <u>Warehouse Lease</u> |
|--------------------------|---|---|
| Year ending December 31, | | |
| 2016 | [REDACTED] | [REDACTED] |
| 2017 | [REDACTED] | [REDACTED] |
| 2018 | [REDACTED] | [REDACTED] |
| Total lease commitments | [REDACTED] | [REDACTED] |

PRAIRIE GROVE TELEPHONE COMPANY
NOTES TO FINANCIAL STATEMENTS

Note 6 - Revenue

Wireline revenues classified on the statements of income consist of the following:

- Customer revenues include end-user charges, such as the subscriber line charge, Federal Universal Service Charge, and Access Recovery Charge
- Universal Service support includes the amounts received from the federal USF for HCLS and the ARHCF, ICLS, and CAF
- All access charge and settlement revenue, except as described above, is classified as intercarrier revenue

Miscellaneous revenues consist of the following for the years ending December 31:

| | <u>2015</u> | <u>2014</u> |
|------------------------------|-------------|-------------|
| Miscellaneous | | |
| Equipment sales | | |
| Directory | | |
| Billing and collection | | |
| Other | | |
| Uncollectible | | |
| Total miscellaneous revenues | | |

