

**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  | 371581                    |
| <015> Study Area Name  | PIERCE TEL CO             |
| <020> Program Year   | 2017                      |
| <030> Contact Name: Person USAC should contact with questions about this data      | Mary Bichlmeier           |
| <035> Contact Telephone Number: Number of the person identified in data line <030> | 4023296225 ext.           |
| <039> Contact Email Address: Email of the person identified in data line <030>     | maryb@piercetelephone.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   | 371581                    |
| <015> Study Area Name   | PIERCE TEL CO             |
| <020> Program Year  | 2017                      |
| <030> Contact Name - Person USAC should contact regarding this data                 | Mary Bichlmeier           |
| <035> Contact Telephone Number - Number of person identified in data line <030>     | 4023296225 ext.           |
| <039> Contact Email Address - Email Address of person identified in data line <030> | maryb@piercetelephone.com |

<110> Has your company received its ETC certification from the FCC? (yes / no)

If your answer to Line <110> is yes, do you have an existing §54.202(a) "5

<111> year plan" filed with the FCC? (yes / no)

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.

371581ne112.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 |



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

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July 2013

|   |                           |
|---|---------------------------|
| <010> Study Area Code   | 371581                    |
| <015> Study Area Name   | PIERCE TEL CO             |
| <020> Program Year  | 2017                      |
| <030> Contact Name - Person USAC should contact regarding this data                 | Mary Bichlmeier           |
| <035> Contact Telephone Number - Number of person identified in data line <030>     | 4023296225 ext.           |
| <039> Contact Email Address - Email Address of person identified in data line <030> | maryb@piercetelephone.com |

<300> Unfulfilled service request (voice)

<310> Detail on attempts (voice)

\_\_\_\_\_  
Name of Attached Document

<320> Unfulfilled service request (broadband)

<330> Detail on attempts (broadband)

\_\_\_\_\_  
Name of Attached Document

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

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|       |  |   |
|-------|--|---|
| <010> | Study Area Code  | 331581                                  |
| <015> | Study Area Name  | PIERCE TEL CO                           |
| <020> | Program Year   | 2017                                    |
| <030> | Contact Name - Person USAC should contact regarding this data  | Mary Richmanier                         |
| <035> | Contact Telephone Number - Number of person identified in data line <030>  | 403296228 ext.                          |
| <039> | Contact Email Address - Email Address of person identified in data line <030>  | mary@piercetelphone.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 both fixed and mobile voice     |
| <410> | Complaints per 1000 customers for fixed voice  | 0.0                                     |
| <420> | Complaints per 1000 customers for mobile voice   | 0.0                                     |
| <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 both fixed and mobile broadband |
| <440> | Complaints per 1000 customers for fixed broadband  | 0.0                                     |
| <450> | Complaints per 1000 customers for mobile broadband   | 0.0                                     |

|  |                           |   |
|--|---------------------------|---|
| <b>(500) Compliance With Service Quality Standards and Consumer Protection Rules</b>             |                           | FCC Form 481  |
| <b>Data Collection Form</b>  |                           | OMB Control No. 3060-0986/OMB Control No. 3060-0819 |
|  |                           | July 2013   |
| <010> Study Area Code  | 371583                    |   |
| <015> Study Area Name  | PIERCE TEL CO             |   |
| <020> Program Year   | 2017                      |   |
| <030> Contact Name - Person USAC should contact regarding this data                              | Mary Richman              |   |
| <035> Contact Telephone Number - Number of person identified in data line <030>                  | 402296225 ext.            |   |
| <039> Contact Email Address - Email Address of person identified in data line <030>              | maryr@piercetelephone.com |   |
| <500> Certify compliance with applicable service quality standards and consumer protection rules | Yes                       |   |
| <510> Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance  | 371581ne510 .pdf          |   |

(600) Functionality in Emergency Situations  
Data Collection Form

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|       |   |                         |
|-------|---|-------------------------|
| <010> | Study Area Code   | 371581                  |
| <015> | Study Area Name   | PIERCE TEL CO           |
| <020> | Program Year  | 2017                    |
| <030> | Contact Name - Person USAC should contact regarding this data                 | Mary Richman            |
| <035> | Contact Telephone Number - Number of person identified in data line <030>     | 403296225 ext.          |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | mary@piercetelphone.com |
| <600> | Certify compliance regarding ability to function in emergency situations      | Yes                     |
| <610> | Descriptive document for Functionality In Emergency Situations                | 371581ne610.pdf         |







|  |  |
|--|--|
| <b>(900) Tribal Lands Reporting</b><br><b>Data Collection Form</b> | FCC Form 481<br>OMB Control No. 3060-0986/OMB Control No. 3060-0819<br>July 2013 |
|--|--|

|  |                           |
|--|---------------------------|
| <b>&lt;010&gt; Study Area Code</b>   | 371581                    |
| <b>&lt;015&gt; Study Area Name</b>   | PIERCE TEL CO             |
| <b>&lt;020&gt; Program Year</b>  | 2017                      |
| <b>&lt;030&gt; Contact Name - Person USAC should contact regarding this data</b>                       | Mary Bichlmeier           |
| <b>&lt;035&gt; Contact Telephone Number - Number of person identified in data line &lt;030&gt;</b>     | 4023296225 ext.           |
| <b>&lt;039&gt; Contact Email Address - Email Address of person identified in data line &lt;030&gt;</b> | maryb@piercetelephone.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<br>Yes or No or<br>Not Applicable |
|  |
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**(1000) Voice and Broadband Service Rate Comparability  
Data Collection Form**

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|       |   |                          |
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| <015> | Study Area Name   | PIERCE TEL CO            |
| <020> | Program Year  | 2017                     |
| <030> | Contact Name - Person USAC should contact regarding this data                 | Mary Bichlmeier          |
| <035> | Contact Telephone Number - Number of person identified in data line <030>     | 4023296225 ext.          |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | marybpiercetelephone.com |

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance

\_\_\_\_\_  
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

\_\_\_\_\_  
Name of Attached Document

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

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|-------|---|---------------------------|
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| <015> | Study Area Name   | PIERCE TEL CO             |
| <020> | Program Year  | 2017                      |
| <030> | Contact Name - Person USAC should contact regarding this data                 | Mary Bichlmeier           |
| <035> | Contact Telephone Number - Number of person identified in data line <030>     | 4023296225 ext.           |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | maryb@piercetelephone.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).

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

|                    |  |                           |
|--------------------|--|---------------------------|
| <b>&lt;010&gt;</b> | <b>Study Area Code</b>   | 371581                    |
| <b>&lt;015&gt;</b> | <b>Study Area Name</b>   | PIERCE TEL CO             |
| <b>&lt;020&gt;</b> | <b>Program Year</b>  | 2017                      |
| <b>&lt;030&gt;</b> | <b>Contact Name - Person USAC should contact regarding this data</b>                       | Mary Bichlmeier           |
| <b>&lt;035&gt;</b> | <b>Contact Telephone Number - Number of person identified in data line &lt;030&gt;</b>     | 4023296225 ext.           |
| <b>&lt;039&gt;</b> | <b>Contact Email Address - Email Address of person identified in data line &lt;030&gt;</b> | maryb@piercetelephone.com |

371581.ne1210

**<1210> Terms & Conditions of Voice Telephony Lifeline Plans**

Name of Attached Document

**<1220> Link to Public Website** HTTP

"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.**

|  |  |
|--|--|
| <b>(2000) Price Cap Carrier Additional Documentation</b><br>Data Collection Form<br><i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i> | FCC Form 481<br>OMB Control No. 3060-0986/OMB Control No. 3060-0819<br>July 2013 |
|--|--|

|   |                           |
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| <010> Study Area Code   | 371581                    |
| <015> Study Area Name   | PIERCE TEL CO             |
| <020> Program Year  | 2017                      |
| <030> Contact Name - Person USAC should contact regarding this data                 | Mary Bichlmeier           |
| <035> Contact Telephone Number - Number of person identified in data line <030>     | 4023296225 ext.           |
| <039> Contact Email Address - Email Address of person identified in data line <030> | maryb@piercetelephone.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%; height: 20px;" 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%; height: 20px;" 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%; height: 20px;" 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%; height: 20px;" type="text"/> |   |
| <2024A> Round 2 Recipient of Incremental Support?  | <input style="width: 100%; height: 20px;" type="text"/> | <input style="width: 100%; height: 60px;" 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.   | <input style="width: 100%; height: 20px;" type="text"/> | Name of Attached Document Listing Required Information  |
| <2025A> Round 1 or Round 2 Recipient of Incremental Support?   | <input style="width: 100%; height: 20px;" 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-  | <input style="width: 100%; height: 20px;" type="text"/> | Name of Attached Document Listing Required Information  |
| <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)  | <input style="width: 100%; height: 20px;" type="text"/> |   |

(2000) Price Cap Carrier Additional Documentation (Continued)

Data Collection Form

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

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**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)

|       |   |                           |
|-------|---|---------------------------|
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| <030> | Contact Name - Person USAC should contact regarding this data                 | Mary Bichlmeier           |
| <035> | Contact Telephone Number - Number of person identified in data line <030>     | 4023296225 ext.           |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | maryb@piercetelephone.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.

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

Yes - Attach Certification

(3010A) Milestone Certification (47 CFR § 54.313(f)(1)(i))  371581ne3010.pdf

(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)  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)  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 371581ne3026.pdf

|  |   |
|--|---|
| (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   |

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| <035> Contact Telephone Number - Number of person identified in data line <030>     | 4023296225 ext.           |
| <039> Contact Email Address - Email Address of person identified in data line <030> | maryb@piercetelephone.com |

Financial Data Summary

|   |         |
|---|---------|
| (3027) Revenue                          | 1686015 |
| (3028) Operating Expenses               | 1955409 |
| (3029) Net Income                       | -761477 |
| (3030) Telephone Plant In Service(TPIS) | 9116876 |
| (3031) Total Assets                     | 4370348 |
| (3032) Total Debt                       | 1565671 |
| (3033) Total Equity                     | 2804677 |
| (3034) Dividends                        | 0       |

|       |   |                           |
|-------|---|---------------------------|
| <010> | Study Area Code   | 371561                    |
| <015> | Study Area Name   | WINNIE TEL CO             |
| <020> | Program Year  | 2017                      |
| <030> | Contact Name - Person USAC should contact regarding this data                 | Mary Bichmeier            |
| <035> | Contact Telephone Number - Number of person identified in data line <030>     | 4023292225 ext.           |
| <039> | Contact Email Address - Email Address of person identified in data line <030> | maryb@piercetelephone.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

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**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

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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

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|   |  |
|---|--|
| <b>Certification - Reporting Carrier<br/>Data Collection Form</b> | FCC Form 481<br>OMB Control No. 3060-0986/OMB Control No. 3060-0819<br>July 2013 |
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| <039> Contact Email Address - Email Address of person identified in data line <030> | maryb@piercetelephone.com |

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

|   |               |
|---|---------------|
| <b>Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients</b>   |               |
| 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:  | PIERCE TEL CO |
| 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:   | 371581        |
| Filing Due Date for this form:  | 07/01/2016    |
| 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<br>Data Collection Form | FCC Form 481<br>OMB Control No. 3060-0986/OMB Control No. 3060-0819<br>July 2013 |
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| <020> Program Year  | 2017                      |
| <030> Contact Name - Person USAC should contact regarding this data                 | Mary Bichlmeier           |
| <035> Contact Telephone Number - Number of person identified in data line <030>     | 4023296225 ext.           |
| <039> Contact Email Address - Email Address of person identified in data line <030> | maryb@piercetelephone.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  |                                      |
|--|--------------------------------------|
| I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate. |                                      |
| Name of Authorized Agent: _____  |                                      |
| Name of Reporting Carrier: _____   |                                      |
| Signature of Authorized Officer: _____   | Date: _____                          |
| Printed name of Authorized Officer: _____  |                                      |
| Title or position of Authorized Officer: _____   |                                      |
| Telephone number of Authorized Officer: _____  |                                      |
| Study Area Code of Reporting Carrier: _____  | Filing Due Date for this form: _____ |
| 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.   |                                      |

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   |                                      |
|--|--------------------------------------|
| 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. |                                      |
| Name of Reporting Carrier: _____   |                                      |
| Name of Authorized Agent Firm: _____   |                                      |
| Signature of Authorized Agent or Employee of Agent: _____  | Date: _____                          |
| Name of Authorized Agent Employee: _____   |                                      |
| Title or position of Authorized Agent or Employee of Agent: _____  |                                      |
| Telephone number of Authorized Agent or Employee of Agent: _____   |                                      |
| Study Area Code of Reporting Carrier: _____  | Filing Due Date for this form: _____ |
| 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.   |                                      |

## Attachments





Company Name: Pierce Telephone Company, Inc.

Company Headquarters: Pierce, NE

**Narrative**

Pursuant to FCC USF/ICC Transformation Order, rate of return carriers were required to file five year plans consistent with Title 47 Section 54.202(a)(1)(ii) in 2014 and are required to file annual progress reports thereafter consistent with Title 47 Section 54.313(a)(1). The Pierce Telephone Company (PTC) service areas are the exchanges of Pierce and Hoskins in Nebraska.

The annual progress reports should include (1) maps detailing progress towards meeting plan targets, (2) an explanation of how much universal service support was received and (3) how it was used to improve service quality, coverage, or capacity, and (4) an explanation regarding any network improvement targets that have not been fulfilled in the prior calendar year.

**Maps**

Detailed maps are included as progress towards plan goals was made in 2015.

**Universal Service Support Received**

In 2015, PTC has received \$343,776 from the High Cost Program universal support funds from USAC. PTC incurred \$1,978,590 in operating expenses and \$1,185,873 in capital expenses in 2015.

**How Universal Service Support Was Used to Improve Service Quality, Coverage, or Capacity**

As Universal Service Funds are allocated dependent on past plant investment, the primary planned use of such funds is cost of money, capital recovery, income and property tax payments, and maintenance in support of this previously constructed plant.

This past investment included deployment of fiber-fed digital loop carrier equipment providing ADSL services over copper loops, bringing broadband service to 100% of the Pierce and Hoskins service areas.

These projects improved service quality by using improved DSL technology to deliver broadband services.

These projects improved service coverage by bringing broadband coverage to 100% of all services areas.

These projects improved service capacity by using improved DSL technology to deliver higher capacity broadband services.

In addition to past investments in broadband plant, PTC also made progress working toward the following specific improvements or upgrades in calendar year 2015 pursuant to the previously filed 5-year plan:

- Fiber-to-the-Premises deployment to targeted areas of the Pierce and Hoskins service areas.

**Title 47 §54.313(a)(1) Progress Report**

**Due: July 1, 2016**

These projects improved service quality by using improved fiber technology to deliver broadband services.

These projects improved service coverage by bringing higher quality broadband coverage to the improved services areas.

These projects improved service capacity by using improved fiber technology to deliver higher capacity broadband services.

For the amount of Universal Support Received stated above, please note that many of the dollars spent would apply to multiple categories so the sum of the categorized dollars below may likely exceed the amount shown above. For example, one project may improve both service quality and coverage and therefore would be included in both categorizations.

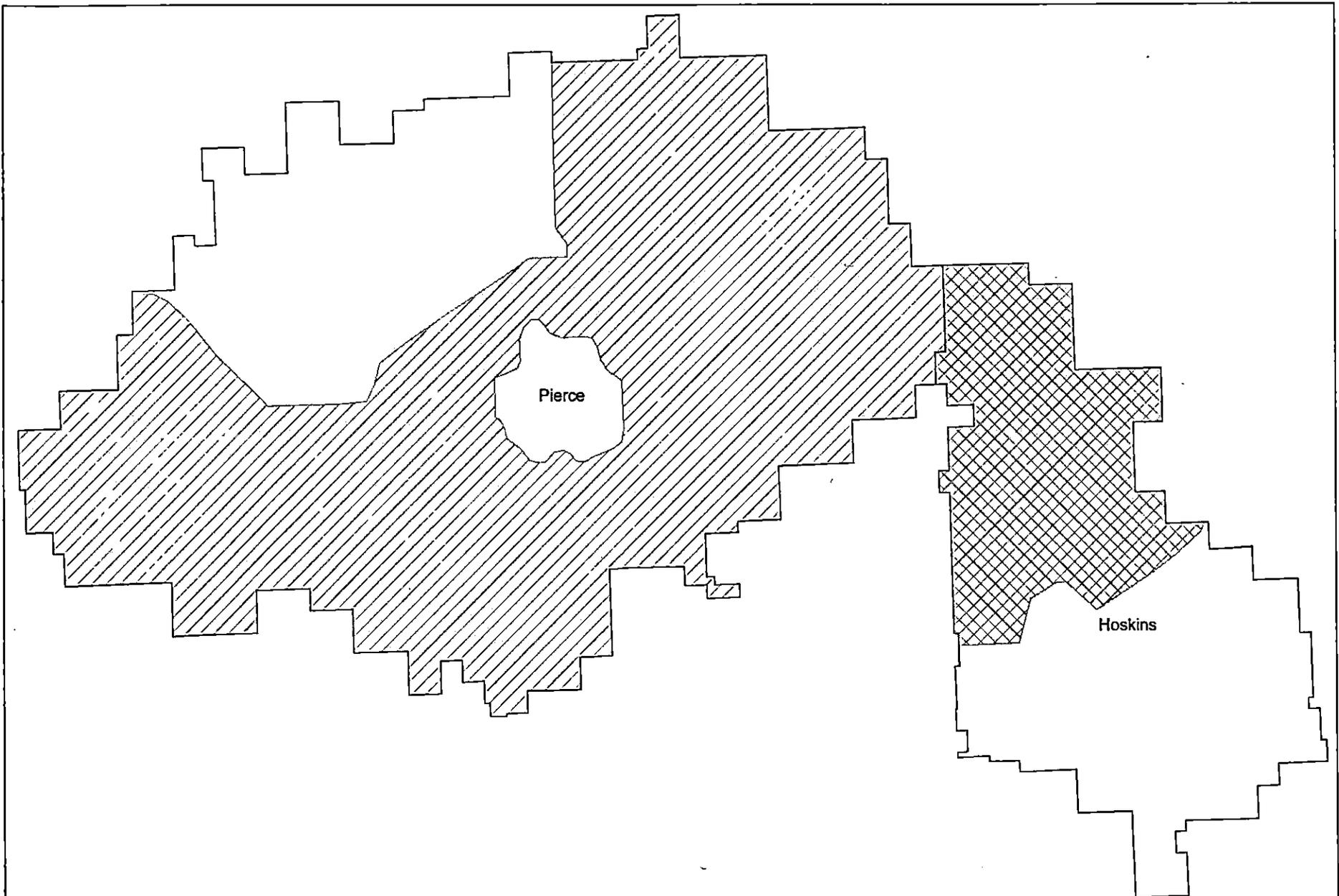
The amount of support used to improve service quality was \$343,776.

The amount of support used to improve service coverage was \$343,776.

The amount of support used to improve service capacity was \$343,776.

**Explanation Regarding Any Network Improvement Targets Not Fulfilled in the Prior Calendar Year**

There were not any network improvement targets stated in the 5-Year Plan for 2015 that were not met.



-  5 Year Improvement Area - In Progress
-  5 Year Improvement Area - Planned
-  Completed
-  Exchange Boundary

PIERCE TELEPHONE COMPANY, INCORPORATED  
NE 536

**FIVE YEAR PLAN  
PROGRESS REPORT**

|          |    |                    |         |
|----------|----|--------------------|---------|
| RW, Inc. |    | COLUMBUS, NEBRASKA |         |
| DRAWN    | AM | APPROVED           |         |
| CHECKED  |    | DATE               | 6-18-13 |

**Pierce Telephone Company**  
**Certification of Compliance with Applicable Service Quality Standards and**  
**Consumer Protection Rules for Voice and Broadband Services**

Service quality standards and consumer protection rules for broadband are not as defined as the rules for voice services. The Company complies with any service quality standards and consumer protection rules for broadband that are out there now and any that will be defined in the future.

Service Quality Standards

For voice services, the Company:

- Provides voice grade access to the public switched network.
- Provides flat rated local exchange service with no additional charge to end users.
- Provides access to the emergency services provided by local government or other public safety organizations, such as 911 and enhanced 911.
- Provides toll blocking and toll limitation services.

For voice and broadband services, the Company:

- Advertises the availability of its services and the charges using media of general distribution and/or on its website.
- Maintains a business office providing customers with access to a customer service representative either in person or via a local telephone call or toll-free telephone number during business hours.
- Directs after hour calls to the Company's voice mail which allows customers to leave a message and a repairman will be paged.
- Directs trouble reports to the on-call technician.
- Tracks all service orders to ensure they are completed in a timely manner.
- Measures its service connection and service interruption performance on a regular basis.
- Trains employees to:
  - Answer all incoming calls promptly.
  - Respond to all inquiries for information promptly and courteously.
  - Investigate thoroughly all customer complaints and handle appropriately according to the Company's guidelines for resolution of customer complaints.
  - Be knowledgeable about products and service offerings so they can assist the customer with selecting the best service option.
- Has a process for periodic inspection, testing and preventive maintenance of its equipment to permit the rendering of safe, adequate and continuous service at all times.
- Meets or exceeds the standards established by the state commission and provides any reports required in accordance with the state commission's rules.

Consumer Protection Rules

The Company has established operating procedures designed to facilitate compliance with applicable consumer protection rules which include compliance with the Customer Proprietary Network Information (CPNI) rules. The operating procedures include:

- Appointment of a compliance officer.
- A manual detailing the specific procedures for protecting consumer information.
- Employee training on an annual basis.
- A disciplinary process for improper use of consumer information.

If complaints are filed with the Company regarding consumer protection rules, the complaint is immediately investigated, the matter tracked and any corrective action noted. This process ensures that problems are addressed and corrections made.

**Pierce Telephone Company, Inc.**

**Ability to Remain Functional in Emergency Situations for Voice and Broadband Services  
FCC Form 481 – Line 610**

1. Pierce Telephone Company, Inc. (PTC) has been providing high quality service in Nebraska since 1955. This includes operating in adverse conditions including blizzards, ice storms, thunderstorms, tornadoes and during prolonged power outages. PTC's management team, plant supervisors, plant technicians and customer service representatives have the training, experience and equipment necessary to respond to, manage and operate in emergency situations.
2. Pierce Telephone Company, Inc. follows applicable Rural Utilities Service (RUS) Telecommunications program practices and guidelines including the Telecommunications Engineering and Construction Manual (TE&CM) and other industry standards available to small telecommunications carriers. Pierce Telephone Company, Inc. also meets the requirements of the Nebraska Public Service Commission (NPSC) as applied to local exchange service.
3. Back-Up Power

3.1. Central Office

- 3.1.1. Pierce Telephone Company, Inc. maintains storage batteries designed to provide a minimum reserve capacity consistent with RUS TE&CM 1751E-302, Power Requirements for Digital Central Office Equipment. 1751E-302 paragraph 2.3.4 recommends a minimum reserve capacity of 8 hours, or 3 hours if the central office is equipped with an emergency standby generator. This is consistent with Title 291, NPSC Telecommunications Rules and Regulations, Chapter 5, paragraph 002.05 Emergency Operations and Power.
- 3.1.2. Pierce Telephone Company, Inc. maintains a dedicated standby generator fueled with a 50 gallon reserve supply of diesel fuel at the Pierce central office and a standby generator fueled with a 500 gallon reserve supply of liquid propane gas (LPG) at the Hoskins central office. The standby units are equipped with an automatic transfer switch so that in the event of an interruption of the commercial electric power lasting more than a few minutes, the standby generator starts automatically and provides electrical power to the central office equipment, air conditioning and building lighting. The automatic transfer switch also exercises the standby unit periodically and an alarm indication is sent if the standby generator does not start so that telecommunications personnel can perform proactive maintenance.

**Pierce Telephone Company, Inc.**  
Ability to Remain Functional in Emergency Situations for Voice and Broadband Services  
FCC Form 481 – Line 610

**3.2. Remote Equipment Cabinets**

3.2.1. Where electronic equipment in cabinets located remotely from the central office, is used to provide service, the cabinets are equipped with batteries designed to operate for a minimum of eight hours without commercial electrical power. In addition, Pierce Telephone Company, Inc. maintains portable AC standby generators for use in the event of prolonged commercial power interruptions and the cabinets are equipped with external receptacles to facilitate connection to portable generators.

**4. Rerouting Traffic around Damaged Facilities**

4.1. In the event of damage to cable facilities owned by Pierce Telephone Company, Inc., our maintenance personnel would restore service using emergency splice kits kept on hand for these types of service disruptions. If the damaged facilities are not owned by Pierce Telephone Company, Inc. we would work with the carrier directly affected to identify the source of disruption and the estimated amount of time before service is restored.

4.2. Pierce Telephone Company, Inc. currently has diverse fiber routes. One route supports toll calling and the other route supports Internet service. In the event of an extended outage, contact would be made with the other service provider to provision temporary alternate routes supporting originating and terminating toll calls. Emphasis would first be placed on establishing connections to nearby PSAP, law-enforcement and emergency services.

**5. Managing Traffic Spikes**

5.1. Pierce Telephone Company, Inc. meets Title 291, NPSC Telecommunications Rules and Regulations, Chapter 5, paragraph 002.12 Dial Service Objectives for sufficient central office capacity and equipment during the "...average busy hour-busy season..."

5.2. Pierce Telephone Company, Inc. follows applicable RUS practices 522 and 322 when specifying, administrating, and assigning facilities within its control (as opposed to facilities ordered by connecting interexchange carriers).

**Pierce Telephone Company, Inc.**

**Ability to Remain Functional in Emergency Situations for Voice and Broadband Services  
FCC Form 481 – Line 610**

- 5.3. The Pierce and Hoskins central office switches were upgraded to a Genband C-15 from the old Genband DMS-10. The C-15 is designed to support up to 100,000 access lines and provides more efficiency and flexibility. It has additional capacity over and above the minimums specified to meet NPSC and RUS guidelines.
- 5.4. When traffic volumes greatly exceed specified criteria and additional capacity of the switch or connecting facilities, the C-15 continues to process calls but with potentially longer waiting times for dial tone, higher post-dialing delays and a higher probability of callers receiving all trunks busy indications (fast busy) and having to redial calls. Depending on the magnitude and duration of extreme peak demand, PTC would examine alternatives such as provisioning additional facilities and work with connecting carriers to expedite additional capacity.

**Pierce Telephone Company**

**Nebraska Telephone Assistance Program Terms and Conditions**

**Nebraska Telephone Assistance Program**

The Nebraska Telephone Assistance Program (NTAP) is available for qualifying customers of Pierce Telephone Company. NTAP assistance reduces the cost of basic, monthly local telephone service. Eligible consumers can receive up to \$12.75 per month in discounts. In addition, the Federal Universal Service Charge is not assessed to consumers participating in NTAP. Toll Blocking prevents the placement of all long distance calls for which a subscriber would be charged. Toll blocking is available to eligible consumers at no cost. Also, by choosing this option, consumers are usually not charged a deposit.

NTAP is administered by the Nebraska Public Service Commission.

**NTAP Eligibility Information**

**Program Based Eligibility**

To qualify for NTAP, subscribers must either have an income that is at or below 135% of the Federal Poverty Guidelines, or the subscriber, one or more of the subscriber's dependents, or the subscriber's household must receive benefits from one of the following assistance programs:

- Low-Income Home Energy Assistance Program (LIHEAP)
- Federal Public Housing Assistance (Section 8)
- Medicaid
- Children's Health Insurance Program/Kids Connection (SAM, MAC or EMAC)
- Supplemental Nutrition Assistance Program (SNAP); (formerly the Food Stamps Program)
- Supplemental Security Income (SSI)
- Temporary Assistance for Needy Families (TANF)
- National School Lunch Program Free Lunch program
- State assistance programs (if applicable)

To receive an NTAP application, contact your local *Health and Human Services* agency caseworker or the *Nebraska Public Service Commission*, 1200 N Street, Suite 300, PO Box 94927, Lincoln, NE 68508-4927, Phone: 402-471-3101, Toll Free: 1-800-526-0017 or [http://www.psc.nebraska.gov/ntips/ntips\\_ntap.html](http://www.psc.nebraska.gov/ntips/ntips_ntap.html)

NTAP applicants must present documentation demonstrating eligibility either through participation in one of the qualifying federal assistance programs or through income-based means.

Acceptable documentation of program-based eligibility includes: current or prior year's statement of benefits from a qualifying state, federal or Tribal program; notice letter of participation in a qualifying state, federal or Tribal program; program participation documents; or another official document evidencing the consumer's participation in a qualifying state, federal or Tribal program.

**Income Based Eligibility**

In addition, consumers are eligible for NTAP if their household income is at or below 135% of the federal poverty guidelines.

2016 Federal Poverty Guidelines – 135%

| Household Size                  | 48 Contiguous States and D.C. | Alaska   | Hawaii   |
|---------------------------------|-------------------------------|----------|----------|
| 1                               | \$16,038                      | \$20,034 | \$18,455 |
| 2                               | \$21,627                      | \$27,027 | \$24,881 |
| 3                               | \$27,216                      | \$34,020 | \$31,307 |
| 4                               | \$32,805                      | \$41,013 | \$37,733 |
| 5                               | \$38,394                      | \$48,006 | \$44,159 |
| 6                               | \$43,983                      | \$54,972 | \$50,585 |
| 7                               | \$49,586                      | \$61,992 | \$57,011 |
| 8                               | \$55,202                      | \$69,012 | \$63,464 |
| For each additional person, add | \$5,616                       | \$7,020  | \$6,453  |

Acceptable documentation of income eligibility includes: prior year's state, federal or Tribal tax return; current income statement from an employer or paycheck stub; social security statement of benefits; Veterans Administration statement of benefits; retirement/pension statement of benefits; unemployment/workmen's compensation statement of benefits; federal or Tribal notice of letter participating in General Assistance; or a divorce decree or child support award or other official document containing income information.

**Numbers of Minutes-of-Use Provided as Part of NTAP Program Service**

Pierce Telephone Company's Voice NTAP service includes unlimited local minutes-of-use within the toll-free calling area. Pierce Telephone Company's Voice NTAP Plan does not include any free minutes-of-use for toll. Toll is billed at the standard toll rate depending on which interexchange carrier the consumer subscribes to for toll service. As part of the NTAP service, Toll blocking is available to eligible consumers at no cost.

**Rates**

Subscribers may receive the NTAP credit on any type or grade of local service, including bundled services that are normally offered by Pierce Telephone Company. Advertised rates do not include any applicable taxes or surcharges.

**Recertification of NTAP Eligibility**

NTAP recipients are required to recertify their eligibility annually. Failure to properly recertify a recipient's continued eligibility for NTAP will result in termination of the NTAP recipient's monthly NTAP discount and de-enrollment from NTAP.

**Additional NTAP Program Information**

NTAP is limited to one benefit per household, consisting of either wireline or wireless service. A household is defined as an individual or group of individuals who live together at the same address and share income and expenses. NTAP is a government benefit program, and consumers who willfully make false statements in order to obtain the benefit can be punished by fine or imprisonment or can be barred from the program.

**Pierce Telephone Company, Inc.**

**Progress Report of 5 Year Plan – Milestone Certification**

To be in compliance with the Milestone Certification of providing upon a reasonable request broadband service at actual speeds of 10 Mbps downstream/1 Mbps upstream:

- Pierce Telephone Company certifies that it has taken reasonable steps to provide upon a reasonable request broadband service at actual speeds of 10 Mbps downstream/1Mbps upstream with latency suitable for real-time applications, including Voice over Internet Protocol.
- The Company provides usage capacity that is reasonably comparable to comparable offerings in urban areas.
- The Company certifies that requests for such service are met within a reasonable amount of time.

112 South 5th Street  
P.O. Box 113  
Pierce, NE 68767-0113



(402) 329-6225  
1-888-329-6225  
FAX: (402) 329-4006  
e-mail: info@piercetelephone.com  
www.piercetelephone.com

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S. W.  
Washington, DC 20554

Administrator  
Universal Service Administrative Company  
2000 L Street, N. W., Suite 200  
Washington, DC 20036

RE: WC Docket No. 10-90 – Section 54.313(f)(2)  
Pierce Telephone Company, Incorporated (SAC 371581)

I certify that Pierce Telephone Company, Incorporated is not audited in the ordinary course of business. I also certify that the reported data included in the attached financials have been reviewed and prepared by DA&E, Certified Public Accountants, is accurate.

Certification Signature: Mary J. Bichlmeier  
Name: Mary J Bichlmeier  
Title: Company Accountant/Assistant Treasurer  
Date: June 24, 2016

**PIERCE TELEPHONE COMPANY, INCORPORATED**  
**Financial Statements and Schedule**  
**Years Ended December 31, 2015 and 2014**  
**(With Independent Accountant's Review Report Thereon)**

PIERCE TELEPHONE COMPANY, INCORPORATED

Index to Financial Statements and Schedule

Years Ended December 31, 2015 and 2014

|  | <u>Page<br/>Number</u> |
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| Balance Sheets                                   | 3                      |
| Statements of Operations                         | 4                      |
| Statements of Stockholder's Equity               | 5                      |
| Statements of Cash Flows                         | 6-7                    |
| Notes to Financial Statements                    | 8-13                   |
| Supplementary Schedule - Statistical Information | 14                     |

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

The Board of Directors  
Pierce Telephone Company, Incorporated  
Pierce, Nebraska:

We have reviewed the accompanying financial statements of Pierce Telephone Company, Incorporated which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

(Continued)

## Supplementary Information

The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our reviews, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

*Dohman, Alkerlund & Eddy, LLC*

Aurora, Nebraska  
May 5, 2016

PIERCE TELEPHONE COMPANY, INCORPORATED

Balance Sheets

December 31, 2015 and 2014

| <u>Assets</u>  | <u>2015</u>         | <u>2014</u>      |
|--|---------------------|------------------|
| Current assets:  |                     |                  |
| Cash and cash equivalents,<br>including construction funds of<br>\$3,737 in 2015 and \$3,720 in 2014 | \$ 96,116           | 162,620          |
| Due from subscribers and agents  | 93,424              | 73,571           |
| Inventory, at cost   | 90,233              | 109,094          |
| Prepaid expenses   | <u>2,276</u>        | <u>2,330</u>     |
| Total current assets   | <u>282,049</u>      | <u>347,615</u>   |
| Other assets:  |                     |                  |
| Due from affiliated companies, net   | 2,002,892           | 2,910,422        |
| Other investment   | 15,029              | <u>11,876</u>    |
| Miscellaneous physical property  | -                   | 369,606          |
| Less accumulated depreciation  | <u>-</u>            | <u>361,547</u>   |
| Net miscellaneous physical property  | <u>-</u>            | <u>8,059</u>     |
| Total other assets   | <u>2,017,921</u>    | <u>2,930,357</u> |
| Property and equipment, at cost  | 9,116,876           | 9,149,939        |
| Less accumulated depreciation  | <u>7,046,498</u>    | <u>7,670,360</u> |
| Net property and equipment   | <u>2,070,378</u>    | <u>1,479,579</u> |
|  | <u>\$ 4,370,348</u> | <u>4,757,551</u> |

See accompanying notes to financial statements.

| <u>Liabilities and Stockholder's Equity</u>   | <u>2015</u>         | <u>2014</u>      |
|---|---------------------|------------------|
| Current liabilities:  |                     |                  |
| Current installments of long-term debt  | \$ 60,921           | -                |
| Accounts payable  | 99,918              | 60,044           |
| Due to affiliated companies   | 1,209,697           | 1,081,548        |
| Accrued expenses  | 28,777              | 34,390           |
| Customer deposits   | 6,800               | 4,100            |
| Advance billings and payments   | <u>270</u>          | <u>11,315</u>    |
| Total current liabilities   | <u>1,406,383</u>    | <u>1,191,397</u> |
| Long-term debt, excluding current installments  | <u>159,288</u>      | <u>-</u>         |
| Total liabilities   | <u>1,565,671</u>    | <u>1,191,397</u> |
| Stockholder's equity:   |                     |                  |
| Common stock of \$100 par value per<br>share, authorized 1,000 shares; issued and<br>outstanding 118.682 shares in both 2015 and 2014 | 11,868              | 11,868           |
| Retained earnings   | <u>2,792,809</u>    | <u>3,554,286</u> |
| Total stockholder's equity  | 2,804,677           | 3,566,154        |
|   | <u>\$ 4,370,348</u> | <u>4,757,551</u> |

PIERCE TELEPHONE COMPANY, INCORPORATED

Statements of Operations

Years Ended December 31, 2015 and 2014

|  | <u>2015</u>         | <u>2014</u>        |
|--|---------------------|--------------------|
| Operating revenues:  |                     |                    |
| Local service  | \$ 585,563          | 576,488            |
| Toll service and access charges  | 1,008,537           | 773,955            |
| Billing and collection revenue   | 45,419              | 53,898             |
| Directory advertising and other revenue  | <u>46,496</u>       | <u>49,536</u>      |
| Total operating revenues   | <u>1,686,015</u>    | <u>1,453,877</u>   |
| Operating expenses:  |                     |                    |
| Plant specific operations  | 441,122             | 398,848            |
| Plant nonspecific operations   | 188,112             | 30,646             |
| Depreciation   | 540,194             | 400,631            |
| Customer operations  | 235,810             | 245,485            |
| Corporate operations   | <u>550,171</u>      | <u>489,777</u>     |
| Total operating expenses   | <u>1,955,409</u>    | <u>1,565,387</u>   |
| Operating loss   | <u>(269,394)</u>    | <u>(111,510)</u>   |
| Operating taxes, other   | <u>23,181</u>       | <u>26,781</u>      |
| Net operating loss   | <u>(292,575)</u>    | <u>(138,291)</u>   |
| Nonoperating income (deductions):  |                     |                    |
| Investment income  | 4,535               | 3,593              |
| Loss on sale of property and equipment   | (9,630)             | -                  |
| Net deregulated income, including depreciation<br>expense of \$14,541 in 2015 and \$10,593 in 2014 | 146,288             | 177,242            |
| Special charges, contributions   | (15,285)            | (12,744)           |
| Valuation allowance expense  | <u>(592,000)</u>    | <u>(1,062,000)</u> |
| Total nonoperating deductions, net   | <u>(466,092)</u>    | <u>(893,909)</u>   |
| Loss prior to fixed charges  | <u>(758,667)</u>    | <u>(1,032,200)</u> |
| Fixed charges:   |                     |                    |
| Interest on long-term debt   | 1,947               | -                  |
| Fixed charges, other interest  | <u>863</u>          | <u>224</u>         |
| Total fixed charges  | <u>2,810</u>        | <u>224</u>         |
| Net losses   | <u>\$ (761,477)</u> | <u>(1,032,424)</u> |

See accompanying notes to financial statements.

PIERCE TELEPHONE COMPANY, INCORPORATED

Statements of Stockholder's Equity

Years Ended December 31, 2015 and 2014

|                               | <u>Common<br/>Stock</u> | <u>Retained<br/>Earnings</u> | <u>Total<br/>Stockholder's<br/>Equity</u> |
|-------------------------------|-------------------------|------------------------------|---|
| Balances at December 31, 2013 | \$ 11,868               | 4,586,710                    | 4,598,578                                 |
| Net losses                    | <u>-</u>                | <u>(1,032,424)</u>           | <u>(1,032,424)</u>                        |
| Balances at December 31, 2014 | 11,868                  | 3,554,286                    | 3,566,154                                 |
| Net losses                    | <u>-</u>                | <u>(761,477)</u>             | <u>(761,477)</u>                          |
| Balances at December 31, 2015 | <u>\$ 11,868</u>        | <u>2,792,809</u>             | <u>2,804,677</u>                          |

See accompanying notes to financial statements.

PIERCE TELEPHONE COMPANY, INCORPORATED

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

| <u>Increase or Decrease in Cash and Cash Equivalents</u> | <u>2015</u>      | <u>2014</u>      |
|--|------------------|------------------|
| Cash flows from operating activities:                    |                  |                  |
| Cash received from subscribers and agents                | \$ 2,011,229     | 1,985,181        |
| Cash paid to suppliers and employees                     | (1,572,875)      | (1,573,414)      |
| Investment income received                               | 1,382            | 1,113            |
| Interest paid  | <u>(2,810)</u>   | <u>(224)</u>     |
| Net cash provided by operating activities                | <u>436,926</u>   | <u>412,656</u>   |
| Cash flows from investing activities:                    |                  |                  |
| Proceeds from sale of property and equipment             | 9,800            | -                |
| Expenditures for miscellaneous physical property         | (26,510)         | (12,815)         |
| Expenditures for property and equipment                  | (869,454)        | (368,063)        |
| Net receipts from affiliated companies                   | <u>447,256</u>   | <u>63,725</u>    |
| Net cash used by investing activities                    | <u>(438,908)</u> | <u>(317,153)</u> |
| Cash flows from financing activities,                    |                  |                  |
| principal payments on long-term debt                     | <u>(64,522)</u>  | <u>-</u>         |
| Net increase (decrease) in cash and cash equivalents     | (66,504)         | 95,503           |
| Cash and cash equivalents at beginning of year           | <u>162,620</u>   | <u>67,117</u>    |
| Cash and cash equivalents at end of year                 | <u>\$ 96,116</u> | <u>162,620</u>   |

(Continued)

PIERCE TELEPHONE COMPANY, INCORPORATED

Statements of Cash Flows  
(Continued)  
Years Ended December 31, 2015 and 2014

| <u>Reconciliation of Net Losses<br/>to Net Cash Provided by Operating Activities</u> | <u>2015</u>         | <u>2014</u>        |
|--|---------------------|--------------------|
| Net losses   | \$ <u>(761,477)</u> | <u>(1,032,424)</u> |
| Adjustments to reconcile net losses<br>to net cash provided by operating activities: |                     |                    |
| Depreciation of property and equipment   | 540,194             | 400,631            |
| Depreciation of miscellaneous physical property                                      | 14,541              | 10,593             |
| Valuation allowance expense  | 592,000             | 1,062,000          |
| Non-cash patronage dividends   | (3,153)             | (2,480)            |
| Non-cash write-off of property and equipment   | -                   | 30                 |
| Loss on sale of property and equipment   | 9,630               | -                  |
| Decrease (increase) in:  |                     |                    |
| Due from subscribers and agents  | (19,853)            | 8,457              |
| Inventory  | 18,861              | (11,785)           |
| Prepaid expenses   | 54                  | (978)              |
| Increase (decrease) in:  |                     |                    |
| Accounts payable   | 60,087              | (17,149)           |
| Accrued expenses   | (5,613)             | (9,250)            |
| Customer deposits  | 2,700               | 1,050              |
| Advance billings and payments  | <u>(11,045)</u>     | <u>3,961</u>       |
| Total adjustments  | <u>1,198,403</u>    | <u>1,445,080</u>   |
| Net cash provided by operating activities  | \$ <u>436,926</u>   | <u>412,656</u>     |

Supplemental Disclosures of Cash Flows Information

Property and equipment purchased using vendor financing during 2015 totaled \$284,731.

Included in accounts payable was \$20,213 for the purchase of property and equipment as of December 31, 2014.

Miscellaneous physical property with a net book value of \$3,577 was transferred to PBN via recording a like amount in due from affiliated companies at December 31, 2015.

See accompanying notes to financial statements.

PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

December 31, 2015 and 2014

(1) Summary of Significant Accounting Policies

General

Pierce Telephone Company, Incorporated (the Company) is a wholly-owned subsidiary of Pierce Telecommunications, Inc. (Pierce), a holding company headquartered in Pierce, Nebraska. The Company is also affiliated with Pierce's wholly-owned subsidiary, Sapius, Inc. (SAP), which is an investment holding company. Additionally, the Company is affiliated with Fogle Enterprises, LLC (Fogle), Nebraska Long Distance, LLC (NLD), and PBN, LLC (PBN) through common ownership by Pierce. Fogle maintained an investment in a wireless phone system venture and currently has no operations, while NLD is an operating company which provides long distance telephone and communication services. PBN provides ETS ethernet transport and internet services. The Company provides telephone services to two exchanges in northeastern Nebraska and maintains its accounting records in accordance with the rules and regulations of the Nebraska Public Service Commission and utilizes the Uniform System of Accounts prescribed by the Federal Communications Commission. The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents and statements of cash flows

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Additionally, advances to affiliated companies are presented on the net cash flow basis.

Due from subscribers and agents and allowance for doubtful receivables

Expenses include a provision for doubtful accounts to allow for estimated uncollectible accounts. This provision is based on past experience and on analysis of current accounts receivable collectibility. Accounts are considered delinquent based on passage of a specified period of time and consideration of payment history. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. No allowances were deemed necessary for 2015 or 2014.

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# PIERCE TELEPHONE COMPANY, INCORPORATED

## Notes to Financial Statements

### Inventory valuation

Inventories of materials and supplies are valued at the lower of cost or market. Cost is generally determined using the first-in, first-out method.

### Miscellaneous physical property

Depreciation of miscellaneous physical property is computed using the straight-line method over the estimated useful life of the related asset.

### Property and equipment

Maintenance and repairs of property and replacement of items determined to be less than units of property are charged to expense. Replacement and renewal of items considered to be units of property are charged to the property and equipment accounts. Most property and equipment retired or otherwise disposed of in the ordinary course of business, together with the cost of removal less salvage, is charged to accumulated depreciation. At the time of retirement or disposition of specifically identifiable units of equipment, accounts are relieved of cost and accumulated depreciation and gains or losses on the transactions are taken into income. Depreciation of property and equipment is determined using the straight-line method based on the estimated service lives. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

### Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. No asset impairments were recognized during the years ended December 31, 2015 and 2014.

### Advertising and promotion costs

Advertising and promotion costs are expensed as incurred.

### Revenues

Telecommunication service revenues are recognized when related services are provided.

### Income taxes

Effective January 1, 2000, the Company elected to be taxed under the Subchapter S provisions of the Internal Revenue Code. Under these provisions, the Company is a Qualified Subchapter S subsidiary and its parent will recognize the Company's otherwise taxable income and will then "pass through" this income to its stockholders who are ultimately responsible for any income tax liabilities that may exist. Neither the Company nor its parent incurs income tax expense on such income; however, it can be subject to an excess net passive income tax and certain recapture taxes if certain requirements are met.

(Continued)

PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

The Company has adopted Financial Accounting Standards Board guidance related to accounting for any uncertainties in income taxes and required disclosures thereon. This guidance prescribes a minimum threshold a tax position is required to meet before being recognized on the financial statements. There were no unrecognized tax benefits or accruals for uncertain tax positions as of December 31, 2015 and 2014. The Company has not recognized any interest or penalties in relation to income tax filings as of or for the years ended December 31, 2015 or 2014. Additionally, the Company's status of being a Qualified Subchapter S subsidiary entity has been maintained and remains the tax position of the Company.

Subsequent events

The Company has evaluated subsequent events through May 5, 2016, which is the date the financial statements were considered "available to be issued".

(2) Cash and Cash Equivalents

A summary of cash and cash equivalents as of December 31, 2015 and 2014 is as follows:

|   | <u>2015</u>      | <u>2014</u>    |
|---|------------------|----------------|
| Operating cash                                | \$ 96,033        | 162,098        |
| Construction funds                            | 3,737            | 3,721          |
| Petty cash                                    | 50               | 50             |
| Outstanding checks and other in-transit items | <u>(3,704)</u>   | <u>(3,249)</u> |
|   | <u>\$ 96,116</u> | <u>162,620</u> |

The Company's cash and cash equivalents at December 31, 2015 consisted of checking and money market accounts. All income associated with cash and cash equivalents is reported as nonoperating income in the statements of operations.

The Company maintains cash deposits with major banks which from time to time may exceed federally insured limits. The Company periodically assesses the financial condition of the institutions and believes the risk of any loss is minimal.

(3) Affiliated Companies and Related Party Transactions

Pierce provides employee services to the Company at scheduled rates per hour. Related costs of these services totaled \$1,066,672 and \$979,208 in 2015 and 2014, respectively, including amounts capitalized in property and equipment of \$58,392 and \$52,898, respectively.

(Continued)

PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

Cumulative balances due to the Company at December 31, 2015 and 2014 from Pierce are as follows:

|                              | <u>2015</u>         | <u>2014</u>        |
|------------------------------|---------------------|--------------------|
| Due from parent company, net | \$ 4,053,567        | 4,408,213          |
| Valuation allowance          | <u>(3,014,000)</u>  | <u>(2,422,000)</u> |
|                              | <u>\$ 1,039,567</u> | <u>1,986,213</u>   |

A valuation allowance of \$3,014,000 and \$2,422,000 was established as of December 31, 2015 and 2014, respectively, as resources available to Pierce were not adequate to repay the Company in full for all outstanding advances due.

Additionally, the Company had miscellaneous receivables totaling \$963,325 and \$924,209 due from NLD and PBN as of December 31, 2015 and 2014, respectively. Balances due to SAP, PBN, and NLD as of December 31, 2015 and 2014 totaled \$1,209,697 and \$1,081,548, respectively.

(4) Property and Equipment

A summary of property and equipment at December 31, 2015 and 2014 follows:

|                                  | <u>2015</u>         | <u>2014</u>      |
|----------------------------------|---------------------|------------------|
| Work-in-progress                 | \$ 1,872            | 21,725           |
| Intangibles                      | 480                 | 480              |
| Land                             | 66,687              | 66,687           |
| Motor vehicles                   | 232,067             | 216,074          |
| Other work equipment             | 356,067             | 352,344          |
| Buildings                        | 654,135             | 654,135          |
| Furniture                        | 61,890              | 56,903           |
| Office support equipment         | 26,778              | 26,778           |
| Company communications equipment | 12,456              | 12,456           |
| Computer software                | 442,531             | 107,566          |
| General purpose computers        | 136,594             | 109,137          |
| Digital switching                | 1,001,077           | 1,723,116        |
| Circuit-equipment                | 1,617,528           | 1,316,230        |
| Customer premises wiring         | 59,468              | 59,468           |
| Pole lines                       | 1,667               | 1,667            |
| Buried cable                     | 4,116,503           | 4,096,097        |
| Conduit system                   | <u>329,076</u>      | <u>329,076</u>   |
|                                  | <u>\$ 9,116,876</u> | <u>9,149,939</u> |

The composite depreciation rate was 6.13% in 2015 and 4.62% in 2014.

(Continued)

PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

Depreciation expense (including non-regulated depreciation) totaled \$554,735 and \$441,224 during 2015 and 2014, respectively.

The Company transferred all miscellaneous physical property with a net book value of \$3,577 to PBN as of December 31, 2015.

(5) Long-term Debt

Long-term debt at December 31, 2015 is comprised of the following:

|   |                   |
|---|-------------------|
| 0% equipment note payable due in monthly installments of \$4,283 through November 2019; secured with equipment with a net book value of \$245,600 at December 31, 2015                    | \$ 201,317        |
| 7.5% equipment note payable due in monthly installments of \$884, including interest through November 2017; secured with equipment with a net book value of \$23,521 at December 31, 2015 | <u>18,892</u>     |
|   | 220,209           |
| Less current installments of long-term debt   | <u>60,921</u>     |
| Long-term debt, excluding current installments  | <u>\$ 159,288</u> |

Principal amounts due annually for the next four years through maturity are as follows:

| <u>Year Ending</u><br><u>December 31,</u> |                   |
|---|-------------------|
| 2016                                      | \$ 60,921         |
| 2017                                      | 60,771            |
| 2018                                      | 51,400            |
| 2019                                      | <u>47,117</u>     |
|   | <u>\$ 220,209</u> |

(Continued)

PIERCE TELEPHONE COMPANY, INCORPORATED

Notes to Financial Statements

(6) Retained Earnings

A summary of retained earnings at December 31, 2015 and 2014 follows:

|   | <u>2015</u>         | <u>2014</u>        |
|---|---------------------|--------------------|
| Corporate earnings prior to Subchapter S elections  | \$ 1,802,081        | 1,802,081          |
| Undistributed Subchapter S earnings<br>reflected in income tax returns filed or to be<br>filed for periods ended December 31, 2015 or prior                           | 4,131,298           | 4,205,906          |
| Undistributed Subchapter S<br>losses not yet taxed due to timing<br>differences in reporting certain transactions<br>for financial accounting and income tax purposes | <u>(3,140,570)</u>  | <u>(2,453,701)</u> |
|   | <u>\$ 2,792,809</u> | <u>3,554,286</u>   |

(7) Operating Leases

The Company leases a copy machine and postage machine under various terms requiring future payments. Rental expense under the terms of these lease agreements was \$5,366 in both 2015 and 2014.

Remaining future minimum rental payments required under the leases are as follows:

| <u>Year Ending<br/>December 31,</u> |              |
|-------------------------------------|--------------|
| 2016                                | \$ 4,517     |
| 2017                                | <u>2,820</u> |

(8) Reclassification

The Company's 2014 financial statements have been reclassified to conform with 2015 presentation.

## PIERCE TELEPHONE COMPANY, INCORPORATED

## Statistical Information

Years Ended December 31, 2015 and 2014

|   | 2015                |                       | 2014             |                       |
|---|---------------------|-----------------------|------------------|-----------------------|
|   | Total               | Amount<br>per Station | Total            | Amount<br>per Station |
| Number of stations at end of year                         |                     | <u>1,236</u>          |                  | <u>1,292</u>          |
| Operating revenues:                                       |                     |                       |                  |                       |
| Local service   | \$ 585,563          | 473.75                | 576,488          | 446.20                |
| Toll service and access charges                           | 1,008,537           | 815.97                | 773,955          | 599.03                |
| Billing and collection                                    | 45,419              | 36.75                 | 53,898           | 41.72                 |
| Directory advertising and other                           | <u>46,496</u>       | <u>37.62</u>          | <u>49,536</u>    | <u>38.34</u>          |
| Total operating revenues                                  | \$ <u>1,686,015</u> | <u>1,364.09</u>       | <u>1,453,877</u> | <u>1,125.29</u>       |
| Property and equipment                                    | \$ 9,116,876        | 7,376.11              | 9,149,939        | 7,082.00              |
| Less accumulated depreciation                             | <u>7,046,498</u>    | <u>5,701.05</u>       | <u>7,670,360</u> | <u>5,936.81</u>       |
| Net property and equipment                                | \$ <u>2,070,378</u> | <u>1,675.06</u>       | <u>1,479,579</u> | <u>1,145.19</u>       |
| Total liabilities   | \$ <u>1,565,671</u> | <u>1,266.72</u>       | <u>1,191,397</u> | <u>922.13</u>         |
| Total stockholder's equity                                | \$ <u>2,804,677</u> | <u>2,269.16</u>       | <u>3,566,154</u> | <u>2,760.18</u>       |
| Total operating expenses (excluding taxes)                | \$ <u>1,955,409</u> | <u>1,582.05</u>       | <u>1,565,387</u> | <u>1,211.60</u>       |
| Operating taxes (excluding income taxes)                  | \$ <u>23,181</u>    | <u>18.75</u>          | <u>26,781</u>    | <u>20.73</u>          |
| Net operating loss  | \$ <u>(292,575)</u> | <u>(236.71)</u>       | <u>(138,291)</u> | <u>(107.04)</u>       |
| Fixed charges   | \$ <u>2,810</u>     | <u>2.27</u>           | <u>224</u>       | <u>.17</u>            |
| Return on rate base                                       |                     | <u>(8.6)%</u>         |                  | <u>(5.5)%</u>         |
| Percentage of net losses to year-end stockholder's equity |                     | <u>(27.2)%</u>        |                  | <u>(29.0)%</u>        |
| Ratio of long-term debt to net property and equipment     |                     | <u>.1:1</u>           |                  | <u>-</u>              |
| Ratio of liabilities to stockholder's equity              |                     | <u>.6:1</u>           |                  | <u>.3:1</u>           |
| Ratio of net operating loss to fixed charges              |                     | <u>(104.12):1</u>     |                  | <u>(617.37):1</u>     |