

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Inter-carrier Compensation Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Line-Up	)	WC Docket No. 03-109
	)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208

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**APPENDIX A**

**AFFIDAVIT OF RON K. SIEGEL**

**IN SUPPORT OF**

**PETITION OF ALLBAND COMMUNICATIONS COOPERATIVE  
FOR WAIVER OF THE PART 54.302 RULE AND FOR  
INCREASED PER-LINE SUPPORT**

I, Ronald K. Siegel Jr., being of lawful age and duly sworn, state as follows:

1. My name is Ronald K. Siegel Jr. My business address is 7251 Cemetery Rd., Curran, MI 48728. My title is General Manager of Allband Communications Cooperative ("Allband", "Cooperative" or "ACC") and its non-regulated affiliate, Allband Multimedia (AMM). I have worked for ACC in a management capacity since 2004 and for AMM since 2009. I am responsible for overseeing the daily operations of ACC and AMM, including regulatory affairs,

network design/administration, project development, community outreach, operations and the general viability of ACC. I have conducted extensive research and project management in ACC's rural area since 2002 and have actively pursued strategies to address the communication digital divide that exists between rural and urban areas.

2. ACC was incorporated on November 5, 2003 as a not-for-profit, 501c12 member-owned Cooperative and is a licensed Incumbent Local Exchange Carrier (ILEC), pursuant to the laws of the State of Michigan and the 2005 Order of the Federal Communications Commission ("FCC" or "Commission").<sup>1</sup> ACC began the construction of its network in its previously unserved, green-field service territory in 2005 and activated its first customer in November 2006.

3. The development and approval process of ACC's loan with the USDA Rural Utility Service (RUS) required a dedicated amount of effort from many people and organizations, including current ACC President, John Reigle, who, without a telephone and prior to the creation of ACC, personally drove twenty miles a day from his home in Curran, MI to use a pay phone to coordinate with various consultants and the rest of ACC's volunteer Board of Directors. Support from local, state and the federal government, including a grant from Michigan State University and efforts of scores of students from Michigan State University's School of Telecommunications, assisted ACC to secure the incubation funds needed to form ACC. A \$212,000 Link Michigan grant from the Michigan Economic Development Corporation also aided in the incubation of Allband, which funded the legal, accounting, and engineering analysis required to submit a loan application to the Rural Utility Service (RUS), of the United States Department of Agriculture (USDA). The loan application

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<sup>1</sup> See, In the Matter of Allband Communications Cooperative Petition for Waiver of Sections 69.2(hh) and 69.601 of the Commission's Rules in WC Docket. 05-174, released August 11, 2005 (Allband Order).

was no easy endeavor and included several prerequisites, including: waivers from the FCC and the MPSC, area coverage surveying and network design, meetings with various equipment vendors, coordination with local, state and Federal government representatives so that ACC understood the regulatory requirements of an Incumbent Local Exchange (ILEC), financial forecasting, interconnection agreements, bylaw and cooperative development and so on. The RUS ultimately approved the loan application and granted Allband financing totaling approximately \$8 million to construct its network. ACC's RUS loan was used entirely to design and construct the regulated facilities that are now used for ILEC services in its Robbs Creek Exchange.

Allband, due to its unique mission, small size and limited operational capabilities, must balance operations, growth, and maintenance with a small number of employees. Despite its small size, ACC must still comply with the stringent and often burdensome regulatory requirements that are associated with ILECs and other regulated entities. Therefore, Allband has partnered with consultants since its inception to assist ACC management with the following:

- Engineering: RUS loan and grant design, Network design, grant and loan acquisition, mapping, Continuing Property Records (CPR), feasibility studies, construction oversight and administration, maintenance of the network, etc.
- Accounting: quarterly reporting, financial statements, annual audits, RUS annual audits, taxes and payroll, miscellaneous regulatory inquiries, RUS quarterly and annual reporting, budget and cash flow analysis, etc.
- Legal: waivers, appeals, litigation, tax disputes, zoning issues, cooperative operations and governance, billing disputes, human resources, network related legality issues, etc.

- Cost Consulting: communications and reporting to the National Exchange Carriers Association (NECA) and the Universal Service Administrative Company (USAC), annual cost studies (used to calculate USF funding), the many FCC and Michigan Public Service Commission (MPSC) quarterly and annual reporting that are required of regulated telecommunication companies, industry reporting including number assignments, 911, red flag rules, customer information (CPNI) compliance, USF E-rate, ex partes with the FCC and other government regulators, etc.

ACC has been an open book in regards to its mission, financials and efforts to improve telecommunications in rural areas. It has never filed anything confidentially under seal and welcomes public access to its mission, progress and challenges. Allband, since 2006 has in good-faith, remained compliant in its quarterly and annual regulatory reporting and no entity or government regulator has questioned its financials or operations until the FCC issued its recent orders.

The concept of ACC, why it was established and the road its volunteers and dedicated management team embarked on is a true test of faith, commitment to community and a testament to the good intentions of the Federal Government. The following timeline of the Cooperative's development demonstrates the unique nature of the Cooperative and the extensive efforts of its founders:

- a. After being denied basic telephone service by GTE at his Curran, MI residence and then left without an alternate solution, now Allband President John Reigle, began coordinating the formation of Allband with Michigan State University in early 2000.

- b. On November 5, 2003, after extensive planning and organizational efforts, Allband filed its Articles of Incorporation with the State of Michigan.
- c. On July 29, 2004, Allband filed a complete loan application with the USDA Rural Development, the only source of financing available to build its new network.
- d. On August 31, 2004, the Michigan Public Service Commission (MPSC) in Case No. U-14200 granted Allband a temporary license to provide service in its Robbs Creek Exchange, an unserved/unassigned geographical location. A permanent license was granted by the MPSC in Case No. U-14200 on December 2, 2004.
- e. Allband obtained RUS funding on October 7, 2004 and began constructing an all fiber, passive optical, state of the art telecommunications network that would allow Allband to not only provide standard telecommunications services, but also ubiquitous access to broadband and other advanced services.
- f. On August 11, 2005, the FCC granted Allband's waiver of certain FCC rules and allowed Allband to be treated as an ILEC for NECA pooling and Universal Service purposes.
- g. On August 18, 2005, the USDA Rural Development Program officially announced a loan for \$8 million to fund the construction of Allband's fiber to the home network.
- h. On October 19, 2005, Allband started construction in its Robbs Creek Exchange.
- i. On November 10, 2005, the MPSC in Case No. U-14659 granted Eligible Telecommunications Carrier (ETC) status to Allband.

j. On November 30, 2006, Allband activated its first cooperative member.

k. In December 2006, after obtaining the necessary waivers from the FCC, Allband was allowed to join the National Exchange Carrier Association (“NECA”) pools as an ILEC. This action allowed Allband to (a) minimize administrative expenses and (b) maintain reasonable and stable access rates. Because the Universal Service Administration Company (“USAC”) and NECA recognized Allband as an ILEC per its FCC waivers, NECA began providing Interstate Common Line Support and Local Switching Support (two of the FCC’s USF mechanisms) to the Cooperative.

l. In January 2008, Allband began receiving High Cost Loop Support (another of the FCC’s USF mechanisms) from USAC/NECA. This support or recovery mechanism is being used and will be used by Allband to recover a substantive portion of the ongoing high cost of providing ubiquitous network facilities and thus, enable Allband to maintain reasonable local exchange consumer rate levels (Currently \$19.90 per month plus taxes and regulatory fees).

m. On August 4th, 2010 Allband Communications Cooperative (Allband) received two grants from the American Recovery and Reinvestment Act (ARRA) for approximately \$9.7 million to provide broadband access in unserved areas of Northern Michigan in what would become the territory of Allband Multimedia LLC.

4. Allband Multimedia LLC (AMM) is a Michigan limited liability company and a wholly owned subsidiary of ACC. ACC’s Board of Directors directly manages ACC and its subsidiary, AMM. The purpose of AMM is to undertake the retail sales of non-regulated communications and related services, including Internet, wireless, Voice over IP and other products and services. Additionally, AMM is the provider of all services outside of its

regulated study area, made possible by an American Recovery and Reinvestment Act (ARRA) grant. AMM's expansion commenced in 2010, with its first customer being activated in late 2012. AMM provides its products and services over an isolated fiber network separate from ACC, but follows Part 32, Part 64 and FCC affiliate transaction rules to share operational and network resources with ACC.

Per the USF/ICC Transformation Notice of Proposed Rule Making (NPRM)<sup>2</sup>, the Commission has made a point to document concern regarding holding company abuses where it may control one or more separate companies, study areas, regulated and unregulated companies. It should be reinforced that AMM is a subsidiary of ACC and its model is NOT a holding company model or subject to the same line blurring that exists in large corporations such as price cap carriers (AT&T, Verizon, etc.). AMM was created for one purpose, to provide broadband and telephone to the areas around ACC's regulated exchange whose residents and businesses had previously been begging ACC to expand its services, but could not due to regulatory ILEC restrictions. When the ARRA grants were announced, ACC saw a once in a life time opportunity to fill a void that existed due to the failures of traditional competition. AMM was not created to turn a profit; like ACC, it was created to fill a societal gap that was not being addressed by free markets and for-profit providers. The RUS saw the same need and gave ACC a 100% federally funded grant, as opposed to the more common loan/grant combination. ACC was excited to help its surrounding community, which was in dire need of

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<sup>2</sup> Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, 26 FCC Rcd 4554, 4560-61 (2011) (USF/ICC Transformation NPRM)

an advanced telecommunication solution that could fulfill the broadband needs of current and future generations. It was obvious, given the unique 100% grant-funded opportunity, that RUS felt secure enough to fund the project and embrace ACC's previous success in addressing telephone and broadband deployments in rural, unserved areas. Most importantly, RUS again saw an opportunity to serve the public interest through ACC's efforts in its rural community.

5. Since ACC received its original waiver of the \$250 Cap on July 25, 2012,<sup>3</sup> ACC has worked diligently to reduce its expenses and to steadily reduce the amount of its per line USF support, and to run a "lean" operation without negatively impacting growth. The FCC recognized Allband's attention to its expenses and staffing levels in its original 2012 Waiver Order. The Commission's 2012 Waiver Order (paragraph 12) inherently recognized that USF per-line support considerably above the \$250 per line level was justified in order to provide service, continue operations, and to meet its payment obligations on its RUS loan.<sup>4</sup> ACC has also diligently exerted efforts in accordance with the 2012 Waiver Order to reduce expenses and pursue strategies referenced therein, as follows:

- The elimination of paid holidays

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<sup>3</sup> Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules, DA 12-1194, WC Docket no. 10-90, Order, Released: July 25, 2012 Order.

<sup>4</sup> The Order, paragraph 12, stated: We also find that the public interest would be served by granting a waiver for a limited period of time. Specifically, we find that the record supports Allband's claims that consumers in the area will not be able to continue to receive voice service, absent a waiver in the near-term. In reviewing Allband's financial statements, it appears that the management of Allband is mindful of its expenses and limited financial resources given the size of its business. For example, in our view, the salaries and wages of Allband's seven employees are modest.<sup>41</sup> Similarly, while certain other expenses, such as legal, accounting, and insurance are ongoing and an unavoidable cost of doing business, Allband's level of expenses, on a total dollar basis, are reasonable given the size and age of Allband's operation. Accordingly, we find that Allband is not in a position to immediately reduce its expenses in these areas. Similarly, given the low population density in Allband's service territory, Allband also will not be in a position to increase its revenues from consumers in the short-term.



- Staffing layoffs
- The implementation of a new bonus structure which is tied solely to revenue and not performance. Performance bonuses which were also a part of ACC's compensation system, were frozen immediately once the FCC issued its July 20, 2016 Order suspending its waiver pending further review by USAC.
- Allband has fought a high level of property taxation from the State of Michigan and contended, as it still does, that the high level of taxation is a barrier to rural growth. After many years of appeals, Allband was successful in its settlement negotiations with the State and convinced the State of Michigan Tax Commission that relief was needed to help bridge the digital divide in our community. These savings further reduce the amount of recovery that ACC requires from the Universal Service Fund.
- The creation of AMM in 2012 has reduced the amount of support required from the USF Fund and has provided new sources of revenue that were previously absent. This comports with the FCC's July 25, 2012 order (paragraph 14) granting Allband its original waiver which urged ACC, "to actively pursue any and all cost cutting and revenue generating measures in order to reduce its dependency on federal high-cost USF support".<sup>5</sup>
- Due to the sudden reduction in per-line support imposed by the July 2016 Commission Order, ACC has depleted all of its capital reserves, which directly impacts ACC's ability to make its RUS loan payments, maintain/repair its network and to pay its vendors and staff. This directly obstructs Allband's ability to seek

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<sup>5</sup> Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules, DA 12-1194, WC Docket no. 10-90, Order, Released: July 25, 2012 Order, paragraph 14.

and expand revenues to further reduce Allband's dependency on Universal Service Funding. While the FCC and Allband has emphasized the need for further loop development<sup>6</sup>, the FCC itself in paragraph 12 of its 2012 Waiver order stated that, "given the low population density in Allband's service territory, Allband also will not be in a position to increase its revenues from consumers in the short-term", relying on Coop expansion alone to dilute Allband's per-line support is not feasible."

A Part 54.302 waiver is the only means for ACC to continue payments on its RUS loan (as originally planned prior to the existence of AMM), to continue operations, and to move forward with the development of new regulated and non-regulated revenue opportunities. ACC's successful efforts so far have complied with the Commission's July 2012 Waiver Order, paragraph 14, which stated:

"During this time, we expect Allband to actively pursue any and all cost cutting and revenue generating measures in order to reduce its dependency on federal high-cost USF support. Specifically, we anticipate that Allband, during this three-year waiver period, will continue efforts to expand its subscriber base to the extent possible and lower its support needs on a per-line basis, while at the same time taking all necessary steps to reduce its total costs as the company matures".<sup>7</sup>

As the General Manager, I can confirm that Allband has taken dramatic steps to reduce its dependency on USF funding by maintaining existing loops and pushing for not only regulated loop

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<sup>6</sup> Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules, DA 12-1194, WC Docket no. 10-90, Order, Released: July 25, 2012 Order, Section 14.

<sup>7</sup> Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules, DA 12-1194, WC Docket no. 10-90, Order, Released: July 25, 2012 Order, paragraph 14.

growth, but non-regulated growth as well.<sup>8</sup> Despite line loss in 2014, ACC has been able to maintain and even grow its loops while increasing its non-regulated access lines, which inserts non-USF revenue streams and dilutes the operational expense that is attributable to USF. Allband has undertaken valiant and successful efforts to address all the goals set by the Commission's 2012 Waiver Order. At the same time, Allband, a carrier of last resort, still provides 911 and ILEC services to a very rural area, and remains the only reliable provider of voice and Internet services in its exchange and has fully met the Universal Service goals and objectives of the 1996 Telecommunications Act.

6. In the 2012 Order, the FCC requested that Allband work with the USDA Rural Utility Service (RUS) on the reorganization of our loan<sup>9</sup> and since then, ACC has kept RUS abreast of our activities, challenges and frequently requested feedback on how to proceed with our loan obligations in the event that our USF funding was reduced. When the July 2016 order was released, ACC immediately requested relief from RUS, and after much financial analysis and hard work from both ACC management and RUS staff, ACC's loan was placed in an interest-only deferral state for 6 months with payments totaling approximately \$20,000 per month as opposed to its normal loan payment of approximately \$50,000. This relief allowed ACC to maintain enough cash flow to operate and maintain its network and stay current with its payables, all while holding on to the few staff that remains since we were forced to layoff employees in July 2016 when our waiver request was suspended pending further USAC review. ACC's loan deferral is set to expire at the end of August 2017, so it is imperative that ACC receive its waiver in a timely basis, as its

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<sup>8</sup> The continued loyalty of ACC's customer/members contrasts with the current national trend of loop cannibalization by wireless networks.

<sup>9</sup> In its 2012 Waiver Order, the Commission stated, "we further note that Allband has expressed its willingness, if necessary, to work with RUS to rework its loan terms. We envision that this is just one of the steps Allband may take to improve its financial position."

first full post-deferral loan payment will be due at the end of September 2017, and at this time, RUS has not confirmed that an extension of the deferral would be approved.

7. I submit this affidavit in support of the accompanying Petition of Allband Communications Cooperative for Waiver of the Part 54.302 Rule and for Increased Per-line Support. I hereby verify that as the General Manager of ACC and AMM, I have reviewed all the attachments in support of the accompanying petition and verify to the best of my knowledge and belief that the 2016 Cost Study analysis and financial information provided by Tim Morrissey of FWA and Christine Duncan of JSI and by me as attachments to this affidavit, accurately present the financial status of ACC and AMM and ACC's need for support above the Part 54.302 \$250 HCL Cap.

8. As demonstrated by ACC's 2016 Unaudited Financials (**Attachment #1**), ACC is now operating with a net loss in 2016 of (\$161,208), despite aggressive expense reduction activities as outlined in section 5 and loan deferral arrangements with RUS per section 6. If a waiver is not granted in an expedited fashion, the revenue reductions caused by the Commission's July 2016 Order and implementation (without waiver) of the Part 54.302 Cap will, by the end of August 2017 or soon thereafter, provide insufficient revenues for ACC to:

- Continue to provide voice and 911 ILEC services to any of its customers.
- Pay the principal and interest on ACC's existing loan issued by the USDA Rural Utility Service (RUS) which was based on the financial security provided by the previously FCC authorized and now contemplated USF Funding.
- Continue operations as an ILEC telecommunications carrier in its otherwise underserved exchange.

Therefore, Pursuant to Section 1.3 of the Commission's rules, and this Commission's previous waiver orders, Allband respectfully petitions the Commission to promptly review and approve this waiver to prevent irreparable harm to ACC. The reinstatement of ACC's USF support will allow ACC to rebuild its capital reserves for network maintenance and reinvestment, restructure its loan with RUS, operate at full staffing capacity and restore much needed cash flow to stabilize operations.

9. ACC and its consultants have undertaken diligent efforts since the issuance of the Commission's December 2015 Order to communicate with USAC and the Commission Staff to understand and address the nature of the shortcomings raised in the USAC's September 2015 report and the Commission's December 2015 Order. Allband has also actively engaged USAC since the July 20, 2016 order suspending its waiver request, including activities such as weekly conference calls, onsite visits in both Curran, MI and Washington DC, emails, the exchange of documentation and corrective action summaries. While ACC was previously dissatisfied with the length of time it took to complete its USAC review and Memorandum, Allband was appreciative of USAC's and the FCC's willingness to work with ACC in a collaborative manner. Said cooperation ultimately resulted in a positive Memorandum by USAC to the FCC Wireline Competition Bureau, as ordered by the FCC in its July 2016 Order, that ACC's newly implemented cost accounting procedures were reasonable and compliant with FCC rules. The USAC Memorandum was presented on February 24, 2017, with revisions on March 6, 2017 and April 10, 2017. The final approval then triggered additional work for ACC and its consultants, which consisted of the closure of its 2016 financials and the development of its 2016 Cost Study based on its newly approved accounting and allocation methodology. This process could not be completed until USAC was finished with its review and an official memorandum was released to the FCC. Given the amount of time it took to complete the USAC review and the final

memorandum since the July 2016 Order (9 months), Allband had to aggressively work on said tasks as its RUS loan relief was quickly expiring, cash flow remained at reduced levels despite continuing efforts to build its revenue base with limited staff and its capital reserves had been drained. In order to complete its 2016 Cost Study, a pre-requisite to the ability to file the accompanying waiver petition, Allband had to rerun/revise its 2016 financials with the new accounting procedures and complete its year-end, unaudited 2016 financials. Unfortunately, this intensive process was unexpectedly delayed, which postponed the submission of the accompanying waiver petition. Said delays were due to several factors, including the sudden and unexpected departure of key staff which reallocated the resources of ACC management to the re-staffing and training process, the administration of general operations in the absence of trained staff and the maintenance of its network. While the completion of its 2016 financials, cost study and its waiver petition was of a critical and time-sensitive nature, ACC had to prioritize the operation of its network and operations. ACC had forecasted its cash flow needs through this process, although, it did not expect said delays, which has worsened the cash flow disruption resulting from the July 2016 Order. ACC appreciates the patience of the FCC through this process and regrets the delays caused by its operational disruptions, but ACC is confident and hopeful that the FCC will acknowledge ACC's unique situation, the impact of the 2016 Order on ACC, and the realities of operating as a rural provider. ACC therefore kindly requests that our waiver be reviewed in an expedited manner so its full USF support can be reinstated and much-needed cash flow relief can be received on a prompt basis.

10. In the Commissions' July 20, 2016 order, it referred to a claw-back review for years 2012-2015, to be performed by USAC once ACC's compliance review is complete. This reference need not and should not dissuade the Commission from granting Allband's waiver petition. This is because such a full reconciliation can be readily addressed on a post-emergency

order basis.<sup>10</sup> Allband notes in this regard that there remain significant offsets to any potential claw-back. For example, per Allband's 2011 Cost Study which impacted 2013 USF disbursements, Allband was shorted approximately \$124,420, because the Commission's July 25, 2012 Waiver Order limited Allband's support based on the first six months of its 2012 disbursements (annualized). Per Allband's 2012 Cost Study, which impacted 2014 USF disbursements, Allband lost approximately \$110,102 related to the 2012 order. Allband asserts that this should be considered by the Commission in determining any claw-back of overpayment, as Allband did not receive the entire amount of USF support it was entitled to in 2013 and 2014. In addition to the above loss of support, the shortfall between the current \$250 per line cap since July 2016 and the higher justified level of support of \$457 per-line as determined in Tim Morrissey's July 26, 2017 affidavit and attachments, also should be reconciled in determining any potential claw-back.

11. Allband also asserts that the across-the-board presumptive Part 54.302 High Cost Loop (HCL) Cap of \$250 per line (set on a national "one-shoe-fits-all" basis) had no rational applicability to Allband, which was a newly formed company, serving an unserved territory, which built a new network of fully broadband-capable facilities, all in accordance with Congressional policy and previous orders of the FCC and the Michigan Public Service Commission (MPSC). Given the characteristics of Allband's service area and the newness of the company, the \$250 per line cap, which was realistically only applicable to mature companies, should not have been applied to Allband from the start, regardless of the lengthy and expensive waiver process offered at the time. The Commission's apparent unstated premise that Allband could fully address and

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<sup>10</sup> The Commission's July 20, 2016 Order specifically provided for a later reconciliation, which clarifies that this emergency petition can be granted without altering that follow-up process.

meet the \$250 cap within the limited three-year waiver period (as extended) has also been unrealistic.

Since the FCC started reforming the Universal Service Fund aggressively in 2011, ACC has consistently communicated to the FCC, USAC, RUS, the courts and anyone who would listen that our situation is simple: ACC borrowed money from RUS to provide service in an unserved area that lacked basic 911 communications. In the interest of the public, the FCC approved a waiver to allow Allband access to USF support and RUS followed suit by granting ACC a loan to serve the public interest. By reducing ACC's support, our ability to pay our loan is also reduced or in this situation, crippled. The value and achievements of ACC, who was once a poster child for USF and a champion of rural telecommunication is now being subjected to scrutiny, simply for following the FCC's own rules and the intentions of Congress. Yes, ACC unintentionally made affiliate accounting errors when it accepted a 100% grant from the RUS to further its reach into new unserved areas and those errors had to be addressed, but those mistakes are not worth the unnecessary collateral damage and reversal of the progress ACC has made on behalf of its community. The FCC, in response to ACC's challenges regarding the continued receipt of USF support at current levels in the July 2016 Order in paragraph 32, footnote 100, cites Section 254 of the Communications Act of 1934, which states that "the 'purpose of universal service is to benefit the customer, not the carrier.'"<sup>11</sup>

ACC agrees with this stance and that is why ACC was structured as a non-profit member-owned Cooperative. ACC and its Board knew that it would take a great deal of USF support to build and repay the loans for its network and sought an organizational structure that would

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<sup>11</sup> See, In the Matter of Connect America Fund, Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules in WC Docket. 10-90, released July 20, 2016 (Allband Order), Section 32, Footnote 100



reinforce and work with the goals of the Universal Service Fund. ACC is the customer and is owned by the customer, it is not just a carrier, but a carrier made up of customers. I would urge the FCC to consider this fact when contemplating the value ACC provides, its willingness, as a governing entity to support the constituents ACC serves, and how its action or inaction impacts the public interest.

ACC is not trying to profit, abuse or manipulate the Universal Service Fund as eluded to in the July 2016 Order<sup>12</sup>. ACC simply wants to retain the financial and mission-backed support it once had from the FCC, RUS and the Federal Government. I firmly reject the comments that Allband abused its, “trust by allocating excess costs into the regulated bucket”. I also challenge the comments where a Commissioner supports, “quick action to get excess dollars out of Allband’s hands and back into the Universal Service Fund, where it can be put to use by those who will work to build affordable, ubiquitous broadband.” Am I to understand that the Commissioner supports the retroactive denial of USF support and that phone service should be pulled away from a community who originally could not even call 911? Has Allband not been providing access to ubiquitous broadband? Has Allband’s rates not been just, reasonable, and affordable and advanced the availability of such services to all consumers at reasonably comparable rates as those charged in urban areas?

Allband uses a miniscule share of the total fund, so I would urge the Commission to assess the worth of what ACC has accomplished and not dismantle over 10 years of progress, because of an unintentional accounting mistake, a mistake that was caused by further efforts to

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<sup>12</sup> See, In the Matter of Connect America Fund, Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules in WC Docket. 10-90, released July 20, 2016 (Allband Order), Statement of Commissioner Mignon L. Clyburn

improve the public interest through ACC's 100% grant-funded ARRA expansion into additional unserved areas.

12. Allband hereby requests an expedited waiver decision for the reasons stated herein and to prevent irreparable harm associated with impact of the July 2016 Order. I further assert that the implementation of the \$250 HCL Cap is creating an unfair loss of USF support and adverse impact upon Allband's efforts to continue making payments on its RUS loan, to continue to provide ILEC services in its exchange, and to continue progress in its efforts to mitigate or reduce per-line support through the pursuit of new sources of revenue. Allband has committed vast resources and time since July 2016 to demonstrate that it is now compliant with FCC and USAC rules and that its accounting procedures are reasonable per USAC's 2017 Memorandum. Allband is fully committed to ensuring ongoing compliance with FCC and USAC rules as interpreted by the Commission and therefore requests the Commission to grant its waiver of the Part 54.302 Rules as requested in the accompanying petition.

13. This completes my affidavit.

**VERIFICATION**

I, Ronald K. Siegel Jr., declare under penalty of perjury that the statements in this Affidavit are true and correct to the best of my knowledge and belief.



Ronald K. Siegel Jr.  
General Manager  
Allband Communications Cooperative  
7251 Cemetery Rd.  
Curran, MI 48728

Subscribed and sworn before me, this

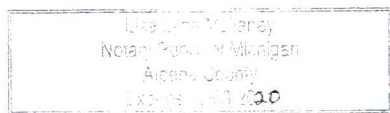
27 day of July, 2017.

Lisa Mullaney  
Lisa Mullaney (Printed Name)

Notary Public, Alcona County

Acting in the County of: Alcona

My Commission Expires: 12/3/2020



ALLBAND COMMUNICATIONS COOPERATIVE  
UNAUDITED CONSOLIDATED BALANCE SHEET  
AS OF DECEMBER 31, 2016

ATTACHMENT #1  
PAGE 1 OF 2

CURRENT ASSETS:

Cash and Cash Equivalents	81,829
Accounts Receivable - telecommunications	209,273
Provision for Bad Debt	(18,600)
Materials and Supplies	493,765
Loan origination fees - current	2,750
Prepaid taxes	11,248
Prepayments	23,190
Total Current Assets	<u>803,456</u>

NON CURRENT ASSETS:

Deferred loan costs	<u>22,687</u>
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PROPERTY, PLANT AND EQUIPMENT

Telecommunications plant in service	7,265,726
Telecommunications plant under construction	<u>50,280</u>
	7,316,007
Less Accumulated Depreciation	<u>(3,184,784)</u>
Net Book Value	<u>4,131,223</u>

TOTAL ASSETS 4,957,366

CURRENT LIABILITIES:

Accounts Payable	99,419
Current portion - debt	389,389
Current portion - Reigle	-
Current portion - NMDD Lease 1	5,736
Accrued interest	-
Accrued income taxes	-
Accrued taxes and wages	20,003
Security Deposits	11,758
Total Current Liabilities	<u>526,305</u>

OTHER LONG TERM LIABILITIES

Deferred grant revenue	<u>386,391</u>
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LONG TERM DEBT - less current portion

RUS mortgage notes	4,596,877
John Reigle note payable	-
NMDD Lease 1 note payable	<u>65,514</u>
Total Long Term Debt	<u>4,662,392</u>

TOTAL LIABILITIES 5,575,087

MEMBERS EQUITY

Membership Dues	3,280
Non Patronage capital (deficit)	250,084
Patronage capital (deficit)	(709,878)
Current Profit (Loss)	<u>(161,208)</u>
TOTAL MEMBERS EQUITY	<u>(617,721)</u>

TOTAL LIABILITY & EQUITY 4,957,366

ALLBAND COMMUNICATIONS COOPERATIVE  
UNAUDITED CONSOLIDATED INCOME STATEMENT  
AS OF DECEMBER 31, 2016

ATTACHMENT #1  
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	YTD
OPERATING REVENUES	
Regulated Basic local network services	24,813
Regulated Network access services	991,262
Regulated Long distance	16,957
Regulated Miscellaneous	7,826
Non Regulated Phone	179,207
Non Regulated Internet	324,401
Non Regulated Life Watch	24,758
Non Regulated UNiFi	1,379
Non Regulated COLO	26,102
Non Regulated DIA	42,600
Non Regulated Miscellaneous	15,528
Total Operating Revenue	<u>1,654,832</u>
OPERATING EXPENSE	
Plant specific operations	354,137
Plant non specific operations	103,646
Depreciation and Amortization	372,110
Customer operations	229,317
Corporate operations	435,705
Total Operating Expenses	<u>1,494,915</u>
GROSS OPERATING INCOME (LOSS)	159,917
OPERATING TAXES	
Other Operating Taxes	<u>74,074</u>
OPERATING INCOME (LOSS)	85,843
NON OPERATING INCOME (DEDUCTIONS)	
Interest Income	129
Interest Expense RUS	252,482
Interest Expense other	139
Other income	19,411
Other expense	13,971
Total Non Operating Income (Expense)	<u>(247,051)</u>
<b>NET INCOME (LOSS) before taxes</b>	<b>(161,208)</b>
Estimated Federal & State Income Taxes	<u>-</u>
<b>NET INCOME (LOSS) after taxes</b>	<b><u>(161,208)</u></b>
Times Interest Earned Ratio	0.36