

PUBLIC LAW RESOURCE CENTER PLLC

Public Law Resource Center PLLC
University Office Place
333 Albert Avenue, Suite 425
East Lansing, Michigan 48823
T (517) 999-7572
firm@publiclawresourcecenter.com

May 18, 2015

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street SW
Room TW-A325
Washington, DC 20554

Re: *Petition of Allband Communications Cooperative for Further Waiver of Part 54.302*
In the matter of: Connect America Fund, WC Docket No. 10-90

Dear Ms. Dortch:

Please find enclosed for filing, in lead docket No. 10-90 listed above, Allband Communications Cooperative's (Allband) Supplemental Filing in support of Allband's December 31, 2014 Petition for Further Waiver of Part 54.302. This supplemental filing includes the following attached documents:

1. A one-page paragraph, with chart, attachment A hereto, demonstrating that Allband needs continuing USF support above the per-line cap established by FCC Rule 54.302, even if based upon consolidated financial data of all regulated and nonregulated operations.
2. Allband's consolidated (audited) financial statements and supplementary information for the years 2014 and 2013 (attachment B hereto) fled in accordance with paragraph 16 of the July 25, 2012, Waiver Order applicable to Allband, 27 F.C.C. Rcd 8310 (2012).
3. A description of assignments and allocations to nonregulated operations prepared by Allband, with attached one-page chart (attachment C hereto). This description and chart provides additional analysis to clarify how costs are allocated between regulated and nonregulated operations, as discussed in the April 1, 2015, *ex parte* meeting, referenced in the fourth paragraph of the April 3, 2015, follow-up letter (Attachment D hereto).

A copy of this supplemental filing is being sent via e-mail to Suzanne Yelen (suzanne.yelen@fcc.gov), Alexander Minard (Alexander.minarad@fcc.gov), Joe Sorresso (joseph.sorresso@fcc.gov), and to the Commission's copy contractor at fcc@bcpiweb.com.

Respectfully submitted,

ALLBAND COMMUNICATIONS COOPERATIVE
Don L. Keskey

Don L. Keskey, Counsel for Allband
Public Law Resource Center PLLC
Telephone: (517) 999-7572
E-mail: donkeskey@publiclawresourcecenter.com

DLK/cd
Atts.

ALLBAND COMMUNICATIONS COOPERATIVE

ATTACHMENT A

May 18, 2015

The table below summarizes total company net income amounts for Allband Communications Cooperative (Allband). This includes the non-regulated operations of Allband's affiliate, Allband Multimedia. The 2012, 2013, and 2014 amounts reflect audited financial data. All regulated and nonregulated income sources for Allband and Allband Multimedia are included in the calculations. The 2014 amounts shown in Column (c) incorporate approximate revenue reductions associated with the FCC's Order that, absent a waiver, limits Allband's Universal Service Support to \$3,000 per line (FCC Rule Section 54.302). This table clearly demonstrates that the potential revenue reduction imposed by the 54.302 Rule results in net losses so significant, after all revenue sources are considered, that Allband ultimately will be unable to provide voice and broadband services to customers in its service area.

Impact of \$3,000 Annual USF Support Cap	Actual 2012 (a)	Actual 2013 (b)	2014 (c)
Revenue	\$ 1,573,723	\$ 1,869,335	\$ 2,072,659
FCC Rule 54.302 Impact	-	-	(717,612)
Expense and Other Taxes	1,365,514	1,465,638	1,490,456
Net Income Before Interest	\$ 208,209	\$ 403,697	\$ (135,409)
Interest Expense	341,859	346,331	319,477
Other Nonop. Income Items	(31,563)	6,781	6,282
Net Income (Loss)	\$ (165,213)	\$ 64,147	\$ (448,604)
Net Investment (Net BV+M&S)	7,542,405	6,698,839	5,052,886
Rate of Return Before Interest	2.8%	6.0%	-2.7%
Rate of Return After Interest	-2.2%	1.0%	-8.9%
TIER Ratio	0.61	1.17	(0.42)

ALLBAND COMMUNICATIONS COOPERATIVE

ATTACHMENT B

May 18, 2015

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
(A Michigan Mutual Company)

CURRAN, MICHIGAN

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2014 AND 2013

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LALLY GROUP, PC

Certified Public Accountants

"Trusted Service for a Confident Tomorrow"

Jackson Office
110 1st Street
JACKSON, MICHIGAN 49201
(517) 787-0064

Website: www.lallycpa.com
E-Mail: info@lallycpa.com

Grand Ledge Office
11966 Sweetwater Drive
GRAND LEDGE, MICHIGAN 48837
(517) 627-4008

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Allband Communications Cooperative
7251 Cemetery Road
Curran, Michigan 48728

Report on the Financial Statements

We have audited the accompanying consolidated balance sheet of ALLBAND COMMUNICATIONS COOPERATIVE AND ITS WHOLLY OWNED SUBSIDIARY (A Michigan Mutual Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Allband Communications Cooperative

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Allband Communications Cooperative and its wholly owned subsidiary at December 31, 2014 and 2013, and the results of its consolidated operations, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information on pages 14 through 24 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 14, 2015, on our consideration of Allband Communications Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Allband Communications Cooperative's internal control over financial reporting and compliance.

Respectfully submitted,

Lally Group, PC

Jackson, Michigan

March 14, 2015

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
(A Michigan Mutual Company)
CURRAN, MICHIGAN

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	\$ 415,960	\$ 247,409
Accounts receivable - telecommunications	214,719	188,775
Materials and supplies	131,959	127,388
Loan origination fees - current	2,750	2,750
Prepayments	1,219	2,106
Total current assets	766,607	568,428
NONCURRENT ASSETS:		
Deferred loan costs	28,187	30,937
PROPERTY, PLANT, AND EQUIPMENT:		
Telecommunications plant in service	6,989,100	6,987,608
Telecommunications plant under construction	491,674	1,655,741
	7,480,774	8,643,349
Less: Accumulated depreciation	2,441,087	2,071,898
Net book value	5,039,687	6,571,451
Total assets	\$ 5,834,481	\$ 7,170,816

(The accompanying notes are an integral part of these financial statements)

LIABILITIES AND MEMBERS' EQUITY

	2014	2013
CURRENT LIABILITIES:		
Current portion - RUS mortgage notes	\$ 370,431	\$ 350,867
Current portion - John Reigle note payable	300,000	225,000
Accounts payable	219,278	490,019
Accounts payable - related party	0	60,212
Accrued interest	0	26,060
Accrued taxes	19,386	18,772
Accrued income tax	54,158	2,530
Security deposits	7,479	6,559
Total current liabilities	970,732	1,180,019
OTHER LONG-TERM LIABILITIES:		
Deferred grant revenue	75,838	1,069,529
LONG-TERM DEBT - less current portion:		
RUS mortgage notes	5,384,521	5,786,866
John Reigle note payable	0	0
Total long-term debt	5,384,521	5,786,866
TOTAL LIABILITIES	6,431,091	8,036,414
MEMBERS' EQUITY:		
Memberships issued	3,100	3,120
Non-Patronage capital (deficit)	110,169	(12,812)
Patronage capital (deficit)	(709,879)	(855,906)
Total members' equity (deficit)	(596,610)	(865,598)
Total liabilities and members' equity	\$ 5,834,481	\$ 7,170,816

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
OPERATING REVENUES:		
Basic local network services	\$ 29,075	\$ 45,613
Network access services	1,505,801	1,483,820
Long distance	24,255	19,879
Internet revenue	509,387	315,708
Miscellaneous	4,141	4,315
Total operating revenues	<u>2,072,659</u>	<u>1,869,335</u>
OPERATING EXPENSES:		
Plant specific operations	301,279	272,679
Plant nonspecific operations	187,896	229,178
Depreciation and amortization	374,439	374,141
Customer operations	149,962	122,671
Corporate operations	318,557	350,204
Total operating expenses	<u>1,332,133</u>	<u>1,348,873</u>
GROSS OPERATING INCOME (LOSS)	740,526	520,462
OPERATING TAXES:		
Other operating taxes	<u>158,323</u>	<u>116,765</u>
OPERATING INCOME (LOSS)	<u>582,203</u>	<u>403,697</u>
NONOPERATING INCOME (DEDUCTIONS):		
Interest income	79	350
Interest expense - RUS	(297,450)	(314,633)
Interest expense - other	(22,027)	(31,698)
Construction contract income	0	4,501
Federal income tax	(51,300)	(2,501)
State income tax	(6,000)	0
Other income (expense)	63,503	4,431
Total nonoperating income (deductions)	<u>(313,195)</u>	<u>(339,550)</u>
NET INCOME (LOSS)	<u>\$ 269,008</u>	<u>\$ 64,147</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	MEMBERSHIP	PATRONAGE CAPITAL (DEFICIT)	NON- PATRONAGE CAPITAL (DEFICIT)	TOTAL
BALANCE - JANUARY 1, 2013	\$ 3,080	\$ (903,248)	\$ (29,617)	\$ (929,785)
Memberships - net	40			40
Allband Communications Cooperative		39,020		39,020
Allband Multimedia, LLC		8,322	16,805	25,127
BALANCE - DECEMBER 31, 2013	3,120	(855,906)	(12,812)	(865,598)
Memberships - net	(20)			(20)
Allband Communications Cooperative		133,618		133,618
Allband Multimedia, LLC		12,409	122,981	135,390
BALANCE - DECEMBER 31, 2014	<u>\$ 3,100</u>	<u>\$ (709,879)</u>	<u>\$ 110,169</u>	<u>\$ (596,610)</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
OPERATING ACTIVITIES:		
Net income (loss)	\$ 269,008	\$ 64,147
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	371,689	371,391
Amortization	2,750	2,750
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable	(25,944)	(11,451)
Materials and supplies	(4,571)	33,130
Prepayments	887	13,000
Prepaid taxes	0	4,743
Increase (Decrease) in:		
Accounts payable	(270,741)	(1,173,531)
Accounts payable - related party	(60,212)	0
Accrued interest	(26,060)	16,022
Accrued taxes	614	6,270
Accrued income tax	51,628	2,530
Security deposits	920	1,720
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>309,968</u>	<u>(669,279)</u>
INVESTING ACTIVITIES:		
Purchase of property, plant, and equipment	<u>(670,477)</u>	<u>(1,949,765)</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>(670,477)</u>	<u>(1,949,765)</u>
FINANCING ACTIVITIES:		
Increase in memberships	(20)	40
Proceeds from other long-term debt borrowings	300,000	0
Proceeds from grant	836,861	2,977,718
Principal payments on long-term debt	<u>(607,781)</u>	<u>(396,772)</u>
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>529,060</u>	<u>2,580,986</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	168,551	(38,058)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>247,409</u>	<u>285,467</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 415,960</u>	<u>\$ 247,409</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 319,477	\$ 346,331
Income taxes paid	\$ 5,671	\$ 96

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Allband Communications Cooperative and subsidiary (herein referred to as "the Cooperative") provides telecommunication services to member subscribers in the northeast portion of the lower peninsula of Michigan.

The accounting records of the Cooperative are maintained in accordance with the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Public Service Commission of Michigan, which conform to accounting principles generally accepted in the United States of America (US GAAP).

The consolidated financial statements include the accounts of the Cooperative and its wholly owned subsidiary, Allband Multimedia, LLC. All material intercompany accounts and transactions are eliminated in consolidation.

Concentrations of Credit Risk -

The Cooperative grants credit to member subscribers, substantially all of whom are located in the Curran, Michigan area. The Cooperative will also grant credit to connecting toll companies located throughout the United States.

The Cooperative received 96% of its 2014 revenues from access revenues and assistance provided by the Federal Universal Services Fund. As a result of the Telecommunications Act of 1996, the manner in which access revenues and Universal Service Funds are determined is currently being modified by regulatory bodies. The FCC adopted an order reforming the Universal Service Fund and Intercarrier Compensation. The details of that order have been released over time and some pieces are still open to further rulemaking or review. However, we believe that there is concern our revenues from these sources will be drastically reduced during the ensuing years. The Cooperative has filed a waiver with the FCC challenging the new order and its effect on rural telephone companies. At this time, the results of this waiver are not able to be known or accounted for in the current year.

Use of Estimates -

The process of preparing financial statements in conformity with US GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents -

The Cooperative classifies all investments that mature in three months or less as cash equivalents.

Accounts Receivable -

Accounts receivable are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis, thus accounts receivable do not bear interest. Accounts receivable are periodically evaluated for collectability based on past credit history with customers. No allowance for bad debts was recorded by management as of December 31, 2014 and 2013.

(See Independent Auditor's Report)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Materials and Supplies -

All materials and supplies are valued at the lower of cost or current market value on the specific identification basis. Materials and supplies consist primarily of fiber cable purchased for future plant construction.

Telephone Plant and Depreciation -

Telephone plant in service and under construction is capitalized at original cost. The Cooperative provided for depreciation on a straight-line basis at annual rates which will amortize the depreciable property over its estimated useful life.

At the time the plant is retired, the retirements credited to telephone plant together with removal costs less salvage are charged to the depreciation reserve unless the retirement is of an extraordinary or abnormal nature.

No gains or losses are recognized in connection with routine retirements of depreciable property. Repairs and renewals of minor items of property are included in plant specific operations expense.

Deferred Loan Costs -

Deferred loan costs are amortized on a straight-line basis over the term of the loan. Amortization of deferred loan costs is expected to be \$2,750 for each of the next five years.

Revenue Recognition -

Toll service revenues, access revenues, and local service revenues are recognized when earned, regardless of the period in which they are billed.

The Cooperative receives interstate settlements from the National Exchange Carrier Association (NECA) for providing access service. Interstate access settlements are based on average nationwide settlements. Intrastate rates are set based upon interstate rates.

Maintenance -

Accounting for maintenance and repairs was in conformity with the Uniform System of Accounts prescribed by the Michigan Public Service Commission.

2. INVESTMENT IN TELEPHONE PLANT AND CABLE ASSETS:

Telephone plant in service was stated at cost. Listed below are the major classes of the telephone plant as of December 31, 2014 and 2013:

(See Independent Auditor's Report)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. INVESTMENT IN TELEPHONE PLANT AND CABLE ASSETS (Continued):

	<u>2014</u>	<u>2013</u>
Land	\$ 9,887	\$ 9,887
Buildings	269,699	269,699
General purpose computers	8,639	7,147
Office equipment	20,408	20,408
Network equipment	877,286	877,286
Cable	5,713,729	5,713,729
Vehicles	36,674	36,674
Other work equipment	<u>52,778</u>	<u>52,778</u>
Telephone plant in service	<u>\$6,989,100</u>	<u>\$6,987,608</u>

The Cooperative provided for depreciation on a straight-line basis at annual rates, which will amortize the depreciable property over its estimated useful life. The projected composite depreciation rate is approximately 5.3% during the first six years. Estimated useful life for the major asset classes are as follows:

Buildings	20 Years
General purpose computers	10 Years
Network equipment	10 Years
Cable	22 Years
Other work equipment	15 Years

3. LONG-TERM DEBT:

U.S. Rural Utilities Service -

The total amount of long-term debt through notes payable from the U.S. Rural Utilities Service (RUS) at December 31, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Total principal outstanding	\$5,754,952	\$6,137,733
Less: Current maturities	<u>370,431</u>	<u>350,867</u>
Total long-term debt	<u>\$5,384,521</u>	<u>\$5,786,866</u>

The Company has multiple notes payable to the RUS. The notes are collateralized by substantially all of the telephone plant. The loan allowed draws until August 2012, with a total loan amount of \$8,067,000; the interest rate on the loan is 5% per annum.

The mortgage to the United States of America, underlying the RUS notes, contains certain restrictions on the declaration or payment of cash dividends, redemption of capital stock, or investment in affiliated companies except as might be specifically authorized in writing in advance by the RUS note holders.

Under the provisions of the loan contract, advances of loan funds shall be deposited in a special construction account and held in trust for the government until disbursed. The loan contract restricts disbursements to such expenditures as RUS may authorize. All payments from the trust accounts are subject to RUS approval.

(See Independent Auditors' Report)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. LONG-TERM DEBT (Continued):

U.S. Rural Utilities Service (Continued) -

At December 31, 2014, the Cooperative met the minimum times interest earned ratio (TIER) as defined in Section 5.12 of the RUS loan agreement. The Cooperative did not meet the minimum TIER ration at December 31, 2013.

Scheduled maturities of existing RUS long-term debt for each of the next five years are as follows:

2015	\$370,431
2016	\$389,383
2017	\$409,305
2018	\$430,245
2019	\$452,257

John Riegler

The total amount of long-term debt through a note payable to board president John Riegler at December 31, 2014 and 2013, consisted of the following:

	<u>2014</u>	<u>2013</u>
Total principal outstanding	\$300,000	\$225,000
Less: Current maturities	<u>300,000</u>	<u>225,000</u>
Total long-term debt	<u>\$ 0</u>	<u>\$ 0</u>

The loan from John Riegler has an interest rate of 12% per annum and is unsecured.

Scheduled maturities of existing additional long-term debt for each of the next five years are as follows:

2015	\$300,000
------	-----------

4. OTHER RELATED PARTY TRANSACTION:

During 2007, management awarded back pay for reaching certain performance targets to both current and former employees. The unpaid balance was \$60,212 at December 31, 2013. On June 30, 2014, this unpaid balance was written off, with \$60,212 recognized as miscellaneous non-regulated revenue.

5. OPERATING LEASES:

The Cooperative's operating lease expense consisted of the following for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Equipment lease expense	\$105,842	\$ 97,098
Building lease expense	<u>74,643</u>	<u>71,554</u>
Total operating lease expense	<u>\$180,485</u>	<u>\$168,652</u>

(See Independent Auditors' Report)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. OPERATING LEASES (Continued):

Future minimum lease payments for the five succeeding years are as follows:

2015	\$186,186
2016	\$188,240
2017	\$132,900
2018	\$120,539
2019	\$116,426

6. FEDERAL INCOME TAX STATUS:

This Cooperative operates as a tax-exempt corporation as defined by the United States Treasury, Internal Revenue Code Section 501(c)(12). One of these requirements is that the Cooperative must obtain 85% or more of their gross revenues from members. The Cooperative did not meet this requirement for the years ended December 31, 2014 and 2013, and is required to file a U.S. Corporation Income Tax Return.

The Cooperative files a consolidated U.S. Corporation Income Tax Return with its wholly-owned subsidiary.

The statute of limitations is generally three years for federal returns.

The Cooperative has determined its provision for federal income tax to amount to \$51,300 and \$2,501 for 2014 and 2013, respectively.

7. STATE INCOME TAX STATUS:

As a result of not meeting the requirement to obtaining 85% of gross revenues from members (see Note 6), the Cooperative is required to file a Michigan Corporate Income Tax Return for the years ended December 31, 2014 and 2013.

The Cooperative files a consolidated Michigan Corporate Income Tax Return with its wholly owned subsidiary.

The statute of limitations is generally four years for Michigan returns.

The Cooperative has determined its provision for state income tax to amount to \$6,000 and \$0 for 2014 and 2013, respectively.

8. ARRA GRANT:

During 2010, Allband Communications Cooperative was awarded two grants as part of the USDA's Broadband Initiatives Program. The total of these grants is \$9,730,657. The funds are to be used to provide internet service to unserved areas within 3 years. As of December 31, 2014, the Cooperative has plant under construction pertaining to ARRA in the amount of \$441,394, assets in service pertaining to ARRA in the amount of \$8,893,593 and has received \$9,410,825 in grant receipts.

(See Independent Auditor's Report)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. ADDITIONAL DISCLOSURES:

Increasing pressure on the Federal Communications Commission from long distance carriers has created several changes in the way local service providers are compensated for the use of their networks. Over the past decade, the FCC has issued orders that focused on redistributing revenue requirements from the access arena to local services over time. The end result has been and will continue to be higher local service rates to subscribers.

The FCC has also issued orders that will ultimately eliminate local service subsidies for voice services and move those subsidies to broadband services. The Company has already moved a substantial portion of the outside plant to fiber and will continue to make substantial investments in the network to meet FCC guidelines.

10. SUBSEQUENT EVENTS:

Management has evaluated subsequent events and transactions for potential recognition or disclosure through March 14, 2015, the date the financial statements were available to be issued. No significant events were identified that would require adjustment or disclosure in the financial statements.

(See Independent Auditor's Report)

SUPPLEMENTARY INFORMATION

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
(A Michigan Mutual Company)
CURRAN, MICHIGAN

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2014

ASSETS

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
CURRENT ASSETS:				
Cash and cash equivalents	\$ 399,060	\$ 16,900	\$ 0	\$ 415,960
Accounts receivable - telecommunications	147,852	66,867		214,719
Accounts receivable - affiliate	19,670		19,670	0
Materials and supplies	131,959			131,959
Loan origination fees - current	2,750			2,750
Prepaid taxes	1,219			1,219
Prepayments	702,510	83,767	19,670	766,607
Total current assets				
	28,187			28,187
NONCURRENT ASSETS:				
Deferred loan costs	52,667		52,667	0
Investment - affiliated	80,854		52,667	28,187
Total noncurrent assets				
	6,989,100			6,989,100
PROPERTY, PLANT, AND EQUIPMENT:				
Telecommunications plant in service	491,674			491,674
Telecommunications plant under construction	7,480,774	0	0	7,480,774
Less: Accumulated depreciation	2,441,087			2,441,087
Net book value	5,039,687	0	0	5,039,687
Total assets	\$ 5,823,051	\$ 83,767	\$ 72,337	\$ 5,834,481

(The accompanying notes are an integral part of these financial statements)

LIABILITIES AND MEMBERS' EQUITY

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
CURRENT LIABILITIES:				
Current portion - RUS mortgage notes	\$ 370,431	\$ 0	\$ 0	\$ 370,431
Current portion - John Reigle note payable	300,000			300,000
Accounts payable	215,327	3,951	0	219,278
Accounts payable - affiliate		19,670	19,670	0
Accounts payable - related party				0
Accrued interest	19,386			19,386
Accrued taxes	54,158			54,158
Accrued income taxes				7,479
Security deposits	7,479			7,479
Total current liabilities	<u>959,302</u>	<u>31,100</u>	<u>19,670</u>	<u>970,732</u>
OTHER LONG-TERM LIABILITIES:				
Deferred grant revenue	75,838			75,838
LONG-TERM DEBT - less current portion:				
RUS mortgage notes	5,384,521			5,384,521
John Reigle note payable	5,384,521	0	0	5,384,521
Total long-term debt	<u>6,419,661</u>	<u>31,100</u>	<u>19,670</u>	<u>6,431,091</u>
TOTAL LIABILITIES				
	3,100			3,100
MEMBERS' EQUITY:				
Memberships issued	110,169	110,168	110,168	110,169
Non-Patronage capital (deficit)	(709,879)	(57,501)	(57,501)	(709,879)
Patronage capital (deficit)	(596,610)	52,667	52,667	(596,610)
Total members' equity (deficit)	<u>5,823,051</u>	<u>83,767</u>	<u>72,337</u>	<u>5,834,481</u>
Total liabilities and members' equity	<u>\$ 5,823,051</u>	<u>\$ 83,767</u>	<u>\$ 72,337</u>	<u>\$ 5,834,481</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
OPERATING REVENUES:				
Basic local network services	\$ 29,075	\$ 0	\$ 0	\$ 29,075
Network access services	1,540,641		34,840	1,505,801
Long distance	24,255			24,255
Internet revenue		509,387		509,387
Miscellaneous	4,141			4,141
Total operating revenues	<u>1,598,112</u>	<u>509,387</u>	<u>34,840</u>	<u>2,072,659</u>
OPERATING EXPENSES:				
Plant specific operations	187,016	149,103	34,840	301,279
Plant nonspecific operations	105,520	82,376		187,896
Depreciation and amortization	374,439			374,439
Customer operations	72,877	77,085		149,962
Corporate operations	310,424	8,133		318,557
Total operating expenses	<u>1,050,276</u>	<u>316,697</u>	<u>34,840</u>	<u>1,332,133</u>
GROSS OPERATING INCOME (LOSS)	547,836	192,690	0	740,526
OPERATING TAXES:				
Other operating taxes	<u>158,323</u>			<u>158,323</u>
OPERATING INCOME (LOSS)	<u>389,513</u>	<u>192,690</u>	<u>0</u>	<u>582,203</u>
NONOPERATING INCOME (DEDUCTIONS):				
Interest income	79			79
Interest expense - RUS	(297,450)			(297,450)
Interest expense - other	(22,027)			(22,027)
Income (loss) from affiliate	135,390		135,390	0
Construction contract income				0
Federal income tax		(51,300)		(51,300)
State income tax		(6,000)		(6,000)
Other income (expense)	63,503			63,503
Total nonoperating income (deductions)	<u>(120,505)</u>	<u>(57,300)</u>	<u>135,390</u>	<u>(313,195)</u>
NET INCOME (LOSS)	<u>\$ 269,008</u>	<u>\$ 135,390</u>	<u>\$ 135,390</u>	<u>\$ 269,008</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
OPERATING ACTIVITIES:				
Net income (loss)	\$ 269,008	\$ 135,390	\$ 135,390	\$ 269,008
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	371,689			371,689
Amortization	2,750			2,750
Gain from investment in affiliate	(135,390)		(135,390)	0
Changes in operating assets and liabilities:				
(Increase) Decrease in:				
Accounts receivable	(10,804)	(15,140)		(25,944)
Accounts receivable affiliate	126,779		126,779	0
Materials and supplies	(4,571)			(4,571)
Prepayments	887			887
Increase (Decrease) in:				
Accounts payable	(271,396)	655		(270,741)
Accounts payable - related party	(60,212)	(126,779)	(126,779)	(60,212)
Accrued interest	(26,060)			(26,060)
Accrued taxes	614			614
Accrued income tax	51,628			51,628
Security deposits	0	920		920
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>314,922</u>	<u>(4,954)</u>	<u>0</u>	<u>309,968</u>
INVESTING ACTIVITIES:				
Purchase of property, plant, and equipment	(670,477)			(670,477)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>\$ (670,477)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (670,477)</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
FINANCING ACTIVITIES:				
Increase in memberships	(20)	0	0	(20)
Proceeds from other long-term debt borrowings	300,000			300,000
Proceeds from grant	836,861			836,861
Principal payments on long-term debt	(607,781)			(607,781)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>529,060</u>	<u>0</u>	<u>0</u>	<u>529,060</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	173,505	(4,954)	0	168,551
CASH AND CASH EQUIVALENTS - BEGINNING	<u>225,555</u>	<u>21,854</u>		<u>247,409</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 399,060</u>	<u>\$ 16,900</u>	<u>\$ 0</u>	<u>\$ 415,960</u>
SUPPLEMENTAL DISCLOSURES:				
Interest paid (\$0 capitalized)	\$ 319,477	\$ 0	\$ 0	\$ 319,477
Income taxes paid	\$ 0	\$ 5,671	\$ 0	\$ 5,671

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY
(A Michigan Mutual Company)
CURRAN, MICHIGAN

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2013

ASSETS

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
CURRENT ASSETS:				
Cash and cash equivalents	\$ 225,555	\$ 21,854	\$ 0	\$ 247,409
Accounts receivable - telecommunications	137,048	51,727		188,775
Accounts receivable - affiliate	146,449		146,449	0
Materials and supplies	127,388			127,388
Loan origination fees - current	2,750			2,750
Prepaid taxes	0			0
Prepayments	2,106			2,106
Total current assets	<u>641,296</u>	<u>73,581</u>	<u>146,449</u>	<u>568,428</u>
NONCURRENT ASSETS:				
Deferred loan cost	30,937			30,937
Investment - affiliated	<u>(82,722)</u>		<u>(82,722)</u>	<u>0</u>
Total noncurrent assets	<u>(51,785)</u>	<u>0</u>	<u>(82,722)</u>	<u>30,937</u>
PROPERTY, PLANT, AND EQUIPMENT:				
Telecommunications plant in service	6,987,608			6,987,608
Telecommunications plant under construction	1,655,741			1,655,741
	8,643,349	0	0	8,643,349
Less: Accumulated depreciation	2,071,898			2,071,898
Net book value	<u>6,571,451</u>	<u>0</u>	<u>0</u>	<u>6,571,451</u>
Total assets	<u>\$ 7,160,962</u>	<u>\$ 73,581</u>	<u>\$ 63,727</u>	<u>\$ 7,170,816</u>

(The accompanying notes are an integral part of these financial statements)

LIABILITIES AND MEMBERS' EQUITY

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
CURRENT LIABILITIES:				
Current portion - RUS mortgage notes	\$ 350,867	\$ 0	\$ 0	\$ 350,867
Current portion - John Reigle note payable	225,000			225,000
Accounts payable	486,724	3,295		490,019
Accounts payable - affiliate		146,449	146,449	0
Accounts payable - related party	60,212			60,212
Accrued interest	26,060			26,060
Accrued taxes	18,772			18,772
Accrued income tax	2,530			2,530
Security deposits		6,559		6,559
Total current liabilities	<u>1,170,165</u>	<u>156,303</u>	<u>146,449</u>	<u>1,180,019</u>
OTHER LONG-TERM LIABILITIES:				
Deferred grant revenue	<u>1,069,529</u>			<u>1,069,529</u>
LONG-TERM DEBT - less current portion:				
RUS mortgage notes	5,786,866			5,786,866
John Reigle note payable		0	0	0
Total long-term debt	<u>5,786,866</u>	<u>0</u>	<u>0</u>	<u>5,786,866</u>
TOTAL LIABILITIES	<u>8,026,560</u>	<u>156,303</u>	<u>146,449</u>	<u>8,036,414</u>
MEMBERS' EQUITY:				
Memberships issued	3,120			3,120
Non-Patronage capital (deficit)	(12,812)	(12,812)	(12,812)	(12,812)
Patronage capital (deficit)	(855,906)	(69,910)	(69,910)	(855,906)
Total members' equity (deficit)	<u>(865,598)</u>	<u>(82,722)</u>	<u>(82,722)</u>	<u>(865,598)</u>
Total liabilities and members' equity	<u>\$ 7,160,962</u>	<u>\$ 73,581</u>	<u>\$ 63,727</u>	<u>\$ 7,170,816</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
OPERATING REVENUES:				
Basic local network services	\$ 45,613	\$ 0	\$ 0	\$ 45,613
Network access services	1,517,400		33,580	1,483,820
Long distance	19,879			19,879
Internet revenue		315,708		315,708
Miscellaneous	4,315			4,315
Total operating revenues	<u>1,587,207</u>	<u>315,708</u>	<u>33,580</u>	<u>1,869,335</u>
OPERATING EXPENSES:				
Plant specific operations	184,662	121,597	33,580	272,679
Plant nonspecific operations	108,645	120,533		229,178
Depreciation and amortization	374,141			374,141
Customer operations	74,419	48,252		122,671
Corporate operations	350,005	199		350,204
Total operating expenses	<u>1,091,872</u>	<u>290,581</u>	<u>33,580</u>	<u>1,348,873</u>
GROSS OPERATING INCOME (LOSS)	495,335	25,127	0	520,462
OPERATING TAXES:				
Other operating taxes	<u>116,765</u>			<u>116,765</u>
OPERATING INCOME (LOSS)	<u>378,570</u>	<u>25,127</u>	<u>0</u>	<u>403,697</u>
NONOPERATING INCOME (DEDUCTIONS):				
Interest income	350			350
Interest expense - RUS	(314,633)			(314,633)
Interest expense - other	(31,698)			(31,698)
Construction contract income	4,501			4,501
Income (loss) from affiliate	25,127		25,127	0
Federal income tax	(2,501)			(2,501)
State income tax				0
Other income (expense)	4,431			4,431
Total nonoperating income (deductions)	<u>(314,423)</u>	<u>0</u>	<u>25,127</u>	<u>(339,550)</u>
NET INCOME (LOSS)	<u>\$ 64,147</u>	<u>\$ 25,127</u>	<u>\$ 25,127</u>	<u>\$ 64,147</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
OPERATING ACTIVITIES:				
Net income (loss)	\$ 64,147	\$ 25,127	\$ 25,127	\$ 64,147
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation	371,391			371,391
Amortization	2,750			2,750
Loss from investment in affiliate	(25,127)		(25,127)	0
Changes in operating assets and liabilities:				
(Increase) Decrease in:				
Accounts receivable	25,188	(36,639)		(11,451)
Accounts receivable - affiliate	17,531	31,180	48,711	0
Materials and supplies	33,130			33,130
Prepaid taxes	13,000			13,000
Prepayments	4,743			4,743
Increase (Decrease) in:				
Accounts payable	(1,176,826)	3,295		(1,173,531)
Accounts payable - related party	(31,180)	(17,531)	(48,711)	0
Accrued interest	16,022			16,022
Accrued taxes	6,270			6,270
Accrued income tax	2,530			2,530
Security deposits		1,720		1,720
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(676,431)</u>	<u>7,152</u>	<u>0</u>	<u>(669,279)</u>
INVESTING ACTIVITIES:				
Purchase of property, plant, and equipment	(1,949,765)			(1,949,765)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>\$ (1,949,765)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,949,765)</u>

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Allband Communications Cooperative	Allband Multimedia, LLC	Eliminations	Consolidated
FINANCING ACTIVITIES:				
Increase in memberships	40	0	0	40
Proceeds from grant	2,977,718			2,977,718
Principal payments on long-term debt	(396,772)			(396,772)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>2,580,986</u>	<u>0</u>	<u>0</u>	<u>2,580,986</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(45,210)</u>	<u>7,152</u>	<u>0</u>	<u>(38,058)</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>270,765</u>	<u>14,702</u>		<u>285,467</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 225,555</u>	<u>\$ 21,854</u>	<u>\$ 0</u>	<u>\$ 247,409</u>
SUPPLEMENTAL DISCLOSURES:				
Interest paid (\$0 capitalized)	\$ 346,331	\$ 0	\$ 0	\$ 346,331
Income taxes paid	\$ 96	\$ 0	\$ 0	\$ 96

(The accompanying notes are an integral part of these financial statements)

ALLBAND COMMUNICATIONS COOPERATIVE AND SUBSIDIARY

SCHEDULE OF REVENUE SOURCES
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Subscriber Sources Revenues:		
Basic local telephone services	\$ 29,075	\$ 45,613
Subscriber line revenues	13,687	12,398
Internet revenue	509,387	315,708
Long distance	24,255	19,879
Miscellaneous	4,141	4,315
Total subscriber revenues	<u>580,545</u>	<u>397,913</u>
Carrier Access Billing:		
Interstate carrier	0	0
Intrastate carrier	43,520	50,748
Total carrier revenues	<u>43,520</u>	<u>50,748</u>
NECA:		
Interstate Common Line Support (ICLS)	397,478	366,299
Local Switching Support (LSS)	157,693	162,893
High Cost Loop Support (HCLS)	933,273	935,886
Interstate Common Line Support Adjustment	(18,559)	11,625
Local Switching Support Adjustment	(21,291)	(66,029)
Other settlements/adjustments	0	10,000
Total NECA revenues	<u>1,448,594</u>	<u>1,420,674</u>
Total operating revenues	<u>\$ 2,072,659</u>	<u>\$ 1,869,335</u>

(The accompanying notes are an integral part of these financial statements)



LALLY GROUP, PC

Certified Public Accountants

"Trusted Service for a Confident Tomorrow"

Jackson Office
110 1st Street
JACKSON, MICHIGAN 49201
(517) 787-0064

Website: www.lallycpa.com
E-Mail: info@lallycpa.com

Grand Ledge Office
11966 Sweetwater Drive
GRAND LEDGE, MICHIGAN 48837
(517) 627-4008

Board of Directors
Allband Communications Cooperative
7251 Cemetery Road
Curran, Michigan 48728

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have audited the financial statements of Allband Communications Cooperative (the Cooperative) and subsidiary as of and for the year ended December 31, 2014, and have issued our report thereon dated March 14, 2015. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters. One of them is described in Note 3 of the financial statements, that is required to be reported under Government Auditing Standards. We also noted certain immaterial instances of noncompliance which we have reported to the management of Allband Communications Cooperative in a separate management letter dated March 14, 2015.

Board of Directors
Allband Communications Cooperative

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our 2014 audit, we considered the Cooperative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the board of directors, management, the Rural Utilities Service, and supplemental lenders. However, this report is a matter of public record and its distribution is not limited.

Lally Group, PC
Jackson, Michigan

March 14, 2015



LALLY GROUP, PC

Certified Public Accountants

"Trusted Service for a Confident Tomorrow"

Jackson Office

110 1st Street
JACKSON, MICHIGAN 49201
(517) 787-0064

Website: www.lallycpa.com
E-Mail: info@lallycpa.com

Grand Ledge Office

11966 Sweetwater Drive
GRAND LEDGE, MICHIGAN 48837
(517) 627-4008

Board of Directors
Allband Communications Cooperative
7251 Cemetery Road
Curran, Michigan 48728

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Allband Communications Cooperative (Allband) and subsidiary, which comprise the balance sheet as of December 31, 2014, and the related statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2015. In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2015, on our consideration of Allband's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above and our findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Allband failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, Policy on Audits of Rural Utilities Service Borrowers, 1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Allband's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. Regarding the items listed below, in connection with our audit, we noted no matters regarding Allband's accounting and records to indicate that Allband did not:

Board of Directors
Allband Communications Cooperative

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plan accounts;
- Clear construction accounts and accrue depreciation on completed construction;
- Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;
- Maintain adequate control over materials and supplies;
- Prepare accurate and timely Financial and Operating Reports;
- Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electrical system;
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;
- Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);
- Comply with the requirement for the detailed schedule of deferred debits and deferred credits; and
- Comply with the requirements for the detailed schedule of investments. None to be listed.

In connection with our audit, there was one matter regarding Allband's accounting and records that needs to be improved.

- It came to our attention during the course of the audit that Allband has fallen behind in their upkeep of continuous property records for plant in service. Management has since put procedures in place to update these records and maintain them annually.

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Lally Group, PC
Jackson, Michigan

March 14, 2015

ALLBAND COMMUNICATIONS COOPERATIVE

ATTACHMENT C

May 18, 2015

Allband Communications, Inc.
Description of Assignments and Allocations to Non-regulated Operations

Introduction

Allband Communications Cooperative (Cooperative) has an affiliate Allband Multimedia (Multimedia). The Cooperative primarily provides regulated telecommunications services. Approximately 75 percent of the total consolidated revenue and over 98 percent of the Cooperative's revenue is from regulated services and universal service support funding. Multimedia provides primarily Internet services to Cooperative customers and other customers outside of the regulated service area. All of the services provided by Multimedia are non-regulated. This document provides a brief overview of the procedures employed for, and a summary of, Allband's calendar year 2014 cost assignments between regulated and non-regulated operations.

Overview of Cost Assignment Procedures

There are three general phases to the cost assignment process. These consist of:

1. Direct Charges – costs that can be directly assigned to the respective affiliate. These costs are generally vendor specific costs that can be assigned based on invoices. Such charges are assigned to the appropriate affiliate in the accounting process.
2. Assignment Based on Direct Analysis – these costs are assigned as part of the accounting process to the respective affiliate, typically based on payroll hours or the number of lines in service.
3. Other Non-Regulated Adjustments – For costs not identified in the accounting process that are joint in nature, the costs are assigned to non-regulated operations as part of the annual jurisdictional cost study process.

Attached is a summary of expense assignments between the Cooperative and Multimedia and a summary of the percentage of costs assigned to regulated operations for major account groupings. Specific account detail is shown. Several of the accounts capture expenses solely related to the Cooperative or Multimedia. Other accounts capture expenses attributable to both entities. The total Cooperative regulated amounts shown on the Attachment serve as the expense bases for cost studies used by NECA and USAC to determine Allband's High Cost Loop Support (HCLS) and Interstate Common Line Support (ICLS).

Summary and Analysis of Allband Expense Assignments

Plant Specific Operations

Direct Charged Expenses - Plant Specific Operations represents \$459,431 of Allband's expenditures. The actual amount of expense recorded on Allband's financials was \$287,279. The expenses were less than expenditures due accounting for the ARRA Grant. This grant is fully funding the placement of transmission facilities that will be used by Multimedia to provide broadband services. While the plant

assets are recorded on the cooperative's books, the net plant is reflected as zero. Essentially, the total plant is recorded in asset accounts along with a contra-account or reserve which results in a net plant balance of zero. Since Allband's cost basis is zero in the grant funded facilities, there is no associated depreciation expense.

Allband's employees are performing work functions to install facilities and services that are ultimately funded from the grant. As shown on the summary, Allband's plant operations generated approximately \$87,000 of payroll and approximately \$86,000 in work equipment expense attributable to the grant in which services are or will be provided by Multimedia. These expenditures are not shown in the expense accounts on Allband's financials, since they were funded by the grant. The grant receipts offset these expenditures and produces a net balance of zero in the financial statement accounts. As shown on the Attachments, \$181,788 of the direct charged expenditures were attributable to the Cooperative and \$277,644 were attributable to Multimedia. Thus, for Plant Specific Operations expenditures, approximately 40 percent were assignable to the Cooperative and 60 percent assignable to Multimedia.

Table 1 below key types of expenses that were direct charged or assigned to the respective affiliates.

Table 1 – Examples of Plant Specific Operations Expenses Direct Charged

Account	Description	Example/Explanation of Key Expenses
6121	Land and Building Expense	Charged with expenses associated with the central office building that serves the Robbs Creek exchange or the Cooperative's regulated service area
6121.2	Building Rent	Represents rent expense associated with the general office building (this is further assigned as part of the annual cost study process and is discussed below)
6212	Digital Electronic Expense	Contains the expenses associated with the switch employed for the Cooperative's regulated voice services
6232	Circuit Equipment Expense	Contains the expenses associated with transmission of the Cooperative's regulated voice services.
6232.2	Access Charge	The Cooperative access charge is primarily associated with the costs of right of way access. The Multimedia amounts predominantly represent back-haul charges and ISP service charges. The expenses associated the VOIP underlying carrier for Multimedia's voice services are charged to this account.
6362.1	Network Monitoring	Contains the expenses associated for the monitoring of non-regulated Internet services transmitted on the Cooperative's network.
6362.11	Toll Resale	Contains the expenses associated with wholesale long distance charges on both the regulated and non-regulated voice services. Allband uses separate vendors for each of the entities.

Expenses Assigned Based on Direct Analysis - Payroll expenses and related clearings, described below, are assigned based on payroll hours. Plant employees report time to account codes on time sheets. This enables assignment of the respective payroll costs to the appropriate account. As mentioned

previously, a significant portion of payroll normally associated with plant specific operations expenses were associated with the project funded by the grant.

Other Non-regulated Adjustments - As part of the annual cost study process, expenses associated with general support assets and building rents are assigned to non-regulated operations, including Multimedia. These adjustments are shown in the column labeled "Other NonReg Adj." Most of the plant specific expenses assigned by this process is associated with the general office building rent. Generally, these assignments are based on an analysis of payroll hours.

As shown on the Attachment, the overall percentage of Plant Specific Operations expenses assigned to regulated operations is 38 percent.

Network Operations Expense

Direct Charged Expenses - Table 2 contains examples of major direct charged expenses for Network Operations Expense accounts.

Table 2 – Examples of Network Operations Expenses Direct Charged

Account	Description	Example/Explanation of Key Expenses
6531	Power Expense	Contains the power expense for the Cooperative's buildings and remotes. (A portion of these expenses are assigned as part of the annual cost study process and is discussed below)
6532	Network Administration	Primarily includes charges for National Emergency System and support contract for the Cooperative's network equipment. Also includes vendor specific charges associated with network administration.
6534	Plant Operations	Includes costs of supplies that support the Cooperative's plant operations
6535	Engineering Expense	Contains Engineering expenses incurred by the Cooperative from outside contractors
6540	Access Expense	The portion assigned to the Cooperative represents required contributions to the universal service. Access expense for Multimedia represents the amount of NECA access charges assessed by the Cooperative to Multimedia for DSL services

As shown on the Attachment, \$89,067 of direct charges for Network Operations Expense is charged to the Cooperative and \$34,830 is charged to Multimedia.

Expenses Assigned Based on Direct Analysis - The major portion of plant operations is payroll related. Allband personnel track time and prepare time sheets which enables the assignment of payroll related costs to the appropriate affiliate. Payroll costs are assigned to the appropriate account. For account 6534, Plant Operations expense, the costs are assigned to the Cooperative and Multimedia based on the

respective lines in service. For Network Operations expenses assigned as described above, \$51,294 or 38% are related to the Cooperative and \$83,210 or 62% are related to Multimedia.

Other Non-regulated Adjustments – A portion of Account 6531, Power Expenses is assigned to non-regulated operations based on an analysis of the vendor billing amounts attributable to regulated and non-regulated operations. The adjustment for this account is shown in the column labeled “OTHER NONREG ADJ.”

As shown on the Attachment, the overall percentage on Network Operations Expense assigned to regulated services is 45 percent.

Plant Nonspecific Operations Expenses

This account, excluding depreciation expense, does not contain a significant amount of dollars. The total balance for 2014 was approximately \$3,500. Motor Vehicles expenses are initially direct charged to the Cooperative; however, these expense are ultimately cleared to other accounts based on payroll hours. Motor Vehicles expenses are cleared to the follow major accounts: Plant Specific Operations, Network Operations, Customer Operations and Corporate Operations

The majority of the account balance represents amortization expenses of \$2,750 that are attributable to loan origination fees of the Cooperative. These costs are being amortized over 18 years. This expense is fully attributable to the Cooperative. Due to this, a significant portion or 94 percent of the Plant Nonspecific Operations expense is assigned to regulated operations as shown on the Attachment.

Depreciation Expenses

Direct Charged Expenses - All of the depreciation expense is associated with assets for the Cooperative. This is for depreciation of investment in facilities employed to serve cooperative customers and is predominantly used to provide regulated services. Multimedia does not own any assets. While the Cooperative owns the assets used by Multimedia to serve its customers, there is no cost basis in these assets, since they were 100 percent funded with grants. As explained above, in the accounting records, the assets' original costs are netted against a contra-accounts which results in zero investments on the books. Consequently, there is no depreciation expense associated with the assets.

Other Non-regulated Adjustments - An adjustment is made in the annual cost study which assigns approximately 22 percent of the annual depreciation expense associated with general support assets of the Cooperative to non-regulated operations.

Due to the circumstances described above and as shown on the Attachment, 98 percent of the depreciation expenses are attributable to regulated services.

Customer Operations Expenses

Direct Charged Expenses - Table 3 below provides examples of the major types of expenses directly accounted for as Customer Operations Expenses.

Table 3 – Examples of Customer Operations Expenses Direct Charged

Account	Description	Example/Explanation of Key Expenses
6613	Advertising	Contains vendor specific advertising and marketing costs.
6622	Number Services	Contains vendor specific costs associated with number services expense. Allband uses separate vendors for each of the entities.
6623	Customer Services	Contains vendor specific costs for customer service support.

Expenses Assigned Based on Direct Analysis - A major portion of customer service expenses are payroll related and assigned to the accounts based on the relative payroll hours. Approximately 74% of the customer service payroll hours were attributable to Multimedia in 2014.

The composite percentage of Customer Service Expense assigned to regulated operations in 2014, as shown on the Attachment, was 49 percent.

Corporate Operations Expenses

Direct Charged Expenses - Table 4 below provides examples of the major types of corporate operations expenses directly chargeable to the affiliates.

Table 4 – Examples of Corporate Operations Expenses Direct Charged

Account	Description	Example/Explanation of Key Expenses
6711	Executive	Executive expense is all payroll related and in 2014 there were no direct charges.
6720	General and Administrative	Primarily contains association membership dues, software subscriptions and travel expenses. (A portion of these expenses are assigned as part of the annual cost study process and is discussed below)
6721	Accounting/Finance	Contains the costs of the annual financial audit required by RUS.
6722	Cost Study Expense	This account contains expenses associated with preparation of the annual cost study and other regulatory compliance services provided by consultants. All of this expense is assignable to Cooperative's regulated services.
6725	Legal	Legal costs of outside counsel for representation before the courts and regulators. All legal representation was

		for issues solely attributable to the Cooperative.
6728	Insurance	Contains direct insurance costs related to the Cooperative's assets and employees. (A portion of these expenses are assigned as part of the annual cost study process and is discussed below)

Expenses Assigned Based on Direct Analysis - Payroll related costs and clearings are assigned to the affiliates based on Payroll hours. The Company's managers track and report their time that is attributable to each affiliate by account. All management employees direct report their work hours on time sheets. The majority of time spent by management and accounting/finance personnel are attributable to regulatory compliance and other regulatory issues of the Cooperative.

Other Non-regulated Adjustments – A portion of the direct general and administrative expenses contained in Account 6720 are assigned to non-regulated operations based on payroll hours. Additionally, a portion of Account 6728, Insurance Expense is assigned to non-regulated operation based on payroll hours.

As shown on the Attachment 92% of the corporate expenses are attributable to regulated operations.

Other Operating Taxes

Other Non-regulated Adjustments – These taxes represent property taxes assessed to the Cooperative. A portion is assigned to non-regulated operations based on an analysis of property tax assessments. This assignment is shown in the column labeled "OTHER NONREG ADJ."

As shown on the Attachment 74% of the Other Operating Taxes are attributable to regulated operations.

ALLBAND - ACCOUNTING FOR AFFILIATES AND REGULATED OPERATIONS
2014

ACCOUNT	DESCRIPTION	DIRECT CHARGED EXPENSES			EXPENSES ASSIGNED BASED ON DIRECT ANALYSIS			TOTAL ACCOUNTING EXPENSES				OTHER NONREG ADJ.	COOPERATIVE REGULATED	% Regulated
		COOPERATIVE	MULTIMEDIA	TOTAL	COOPERATIVE	MULTIMEDIA	TOTAL	COOPERATIVE	MULTIMEDIA	TOTAL				
5000.0	COST OF GOODS SOLD	3,360.50	11,376.23	14,736.73				3,360.50	11,376.23	14,736.73				
6XXX	PAYROLL & BENEFITS	-	86,937.74	86,937.74	(86,937.74)	(86,937.74)	(86,937.74)	-	15.75	15.75				
6114	OTHER WORK EQUIPMENT EXPENSE	-	86,156.57	86,156.57	(86,140.82)	(86,140.82)	(86,140.82)	20,859.27	-	20,859.27			20,579.89	
6121	LAND AND BUILDING EXPENSE	20,781.46	-	20,781.46	77.81	77.81	77.81	74,642.52	-	74,642.52			50,602.48	
6121.2	BUILDING RENT	74,642.52	-	74,642.52	-	-	-	542.91	-	542.91			368.06	
6212	GENERAL PURPOSE COMPUTER EXPENSE	542.91	-	542.91	-	-	-	15,679.00	-	15,679.00			15,679.00	
6212	DIGITAL ELECTRONIC EXPENSE	15,679.00	-	15,679.00	-	-	-	14,402.94	-	14,402.94			14,402.94	
6232	CIRCUIT EQUIPMENT EXPENSE	14,402.94	-	14,402.94	-	-	-	6,743.19	-	6,743.19			6,743.19	
6232.2	ACCESS CHARGE	6,743.19	-	6,743.19	-	-	-	7,593.08	-	7,593.08			-	
6382.1	NETWORK MONITORING	7,200.01	-	7,200.01	393.07	393.07	393.07	41,795.79	-	41,795.79			(41,795.79)	
6382.11	TOLL RESALE	41,795.79	-	41,795.79	390.34	390.34	390.34	64.40	-	64.40			390.34	
6422	FIBER OPTIC CABLE EXPENSE	-	491.01	491.01	64.40	64.40	64.40	182,713.44	-	182,713.44			108,930.30	36%
6423	BURIED CABLE EXPENSE	-	491.01	491.01	(173,094.31)	(173,094.31)	(173,094.31)	104,555.07	-	104,555.07			13,614.61	
6531	PLANT SPECIFIC OPERATIONS	18,774.93	277,643.63	459,431.45	15.75	15.75	15.75	18,774.93	-	18,774.93			49,536.38	
6531	POWER EXPENSE	18,774.93	-	18,774.93	25,900.32	25,900.32	25,900.32	43,536.38	14.55	43,550.93			20,857.34	
6532	NETWORK ADMINISTRATION EXPENSE	17,650.61	-	17,650.61	12,683.99	12,683.99	12,683.99	20,857.34	82,375.70	103,233.04			21,852.29	
6534	PLANT OPERATIONS ADMIN EXPENSE	7,973.35	-	7,973.35	9,327.47	9,327.47	9,327.47	21,852.29	820.24	22,672.53			500.00	
6535	ENGINEERING EXPENSE	9,327.47	-	9,327.47	35,340.32	35,340.32	35,340.32	105,520.94	-	105,520.94			100,360.62	45%
6540	ACCESS EXPENSE	35,340.32	-	35,340.32	51,294.58	51,294.58	51,294.58	34.10	-	34.10			566.39	
6561.2112	NETWORK OPERATIONS EXPENSE	89,066.68	34,830.32	123,897.00	(42,093.26)	(42,093.26)	(42,093.26)	2,750.00	184.78	2,934.78			2,750.00	
6561.2112	MOTOR VEHICLES	42,093.26	-	42,093.26	142.41	142.41	142.41	423.98	-	423.98			3,316.39	
6561.24231	BURIED DROPS	142.41	-	142.41	-	-	-	3,316.39	218.88	3,535.27			3,316.39	
6565	AMORTIZATION EXPENSE	2,750.00	-	2,750.00	44,985.67	44,985.67	44,985.67	371,688.94	-	371,688.94			364,486.16	
6565	PLANT NONSPECIFIC OPERATIONS	44,985.67	-	44,985.67	371,688.94	371,688.94	371,688.94	8,248.44	12,418.18	20,666.62			1,022.05	
6613	DEPRECIATION	371,688.94	-	371,688.94	2,178.48	2,178.48	2,178.48	63,607.35	61,079.46	124,686.81			63,607.35	
6613	ADVERTISING EXPENSE	6,069.96	174.94	6,244.90	14,421.72	14,421.72	14,421.72	72,877.84	74,720.38	147,598.20			72,877.84	49%
6622	NUMBER SERVICES	1,022.05	1,222.72	2,244.77	-	-	-	8,248.44	12,418.18	20,666.62			8,248.44	
6623	CUSTOMER SERVICE EXPENSE	38,448.09	10,574.52	49,022.61	25,159.26	25,159.26	25,159.26	61,079.46	124,686.81	185,766.27			63,607.35	
6623	CUSTOMER OPERATIONS	45,540.10	11,972.18	57,512.28	27,337.74	27,337.74	27,337.74	66,950.21	843.61	67,793.82			66,950.21	
6711	EXECUTIVE	-	-	-	67,793.82	67,793.82	67,793.82	83,416.53	6,743.17	90,159.70			76,164.91	
6720	GENERAL AND ADMIN EXPENSE	26,926.18	223.10	27,149.28	63,010.42	63,010.42	63,010.42	57,881.59	546.02	58,427.61			57,335.57	
6721	ACCT/FINANCE	20,829.99	-	20,829.99	37,061.60	37,061.60	37,061.60	42,535.00	-	42,535.00			42,535.00	
6722	COST STUDY EXPENSE	42,535.00	-	42,535.00	3,533.93	3,533.93	3,533.93	39,482.18	-	39,482.18			39,482.18	
6725	LEGAL	35,948.25	-	35,948.25	-	-	-	20,704.00	-	20,704.00			11,594.24	
6728	INSURANCE EXPENSE	20,704.00	-	20,704.00	163,480.07	163,480.07	163,480.07	310,423.49	8,132.80	318,556.29			294,062.11	92%
6728	CORPORATE OPERATIONS	146,943.42	223.10	147,166.52	171,388.77	171,388.77	171,388.77	1,049,901.54	317,094.15	1,366,985.69			943,033.42	69%
6728	TOTAL OPERATING EXPENSES (Pre-Tax)	883,373.13	336,045.46	1,219,418.59	201,368.73	201,368.73	201,368.73	1,58,323.20	-	1,58,323.20			116,765.20	74%
7240	OTHER OPERATING TAXES	-	-	-	158,323.20	158,323.20	158,323.20	-	-	-			-	

ALLBAND COMMUNICATIONS COOPERATIVE

ATTACHMENT D

May 18, 2015

Your submission has been accepted

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Proceeding

Name	Subject
10-90	In the Matter of Connect America Fund A National Broadband Plan for Our Future High-Cost Universal Service Support. .

Contact Info

Name of Filer: Allband Communications Cooperative
 Email Address: gjd@bloostonlaw.com
 Attorney/Author Name: Gerard J. Duffy
 Lawfirm Name (required if not a pro se filer): Blooston, Worcester, Dickens, Duffy & Prendergast, LLP

Address

Address For: Law Firm
 Address Line 1: 2120 L Street NW
 Address Line 2: Suite 300
 City: Washington
 State: DISTRICT OF COLUMBIA
 Zip: 20037

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LAW OFFICES
BLOOSTON, MORDKOFKY, DICKENS, DUFFY & PRENDERGAST, LLP
2120 L STREET, NW, SUITE 300
WASHINGTON, DC 20037

HAROLD MORDKOFKY
BENJAMIN H. DICKENS, JR.
JOHN A. PRENDERGAST
GERARD J. DUFFY
RICHARD D. RUBINO
MARY J. SISAK
D. CARY MITCHELL
SALVATORE TAILLEFER, JR.

(202) 659-0830
FACSIMILE: (202) 828-5568

AFFILIATED SOUTH AMERICAN OFFICES

ESTUDIO JAUREGUI & ASSOCIATES
BUENOS AIRES, ARGENTINA

April 3, 2015

EUGENE MALISZEWSKYJ
ENGINEERING CONSULTANT

ARTHUR BLOOSTON
1914 - 1999

WRITER'S CONTACT INFORMATION

(202) 828-5528
gjd@bloostonlaw.com

FILED VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: WC Docket No. 10-90

Dear Ms. Dortch:

On Wednesday, April 1, 2015, Ron Siegel of Allband Communications Cooperative ("Allband"), and Tim Morrissey and Gerry Duffy representing Fred Williamson and Associates met with Suzanne Yelen, Joseph Sorresso and Ryan Palmer of the Wireline Competition Bureau to discuss Allband's pending December 31, 2014 petition for further waiver of the \$250 per line per month cap on high-cost universal service support in Section 54.302 of the Commission's Rules.

Mr. Siegel emphasized that Allband is a non-profit telephone cooperative that is the only entity that has ever been willing to serve the Robbs Creek exchange, a heavily forested rural area comprising parts of four counties (Alcona, Alpena, Montmorency and Oscoda) in northeast Lower Michigan. Before Allband commenced service in 2006, no wireline carrier had ever served the area, and cellular service was and remains unavailable or unreliable throughout most of the 177-square mile exchange. Allband continues to be the only entity willing and able to provide voice and data telecommunications services (including essential public safety services) within the Robbs Creek area during the foreseeable future.

Allband's primary problem remains the \$6.7 million loan that it sought and accepted from the Rural Utilities Service ("RUS") to build its Robbs Creek exchange during the 2003-2004 period when RUS loans, universal service support and other federal and state programs encouraged the provision of service to unserved and underserved rural areas. Allband has made progress during the past three years in controlling its expenses and increasing its revenues, but the high costs and low population density of the Robbs Creek exchange continue to render it impossible for Allband to make the interest and principal payments on its RUS loan and to maintain service to its customers without high-cost support in amounts greater than the Section 54.302 cap.

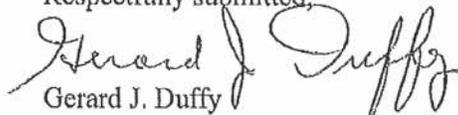
Marlene H. Dortch, Secretary
April 3, 2015
Page 2 of 2

There was considerable questioning during the meeting regarding Allband's relationship with its subsidiary, Allband Multimedia, LLC ("Allband Multimedia"), which is providing high-speed broadband services over a separate network serving areas north and south of the Robbs Creek exchange area that did not previously have such broadband services. Allband will soon be filing a supplement to its pending petition to submit its audited 2014 financial statements, and will endeavor at that time to address what it understands to be the Bureau's inquiries regarding how it allocates costs between the two entities and how it handles transactions between them.

Allband has been open and forthcoming with the Commission in providing all of the financial and operational information relevant to its waiver requests, and has not heretofore sought proprietary and confidential status for any of such information. Allband has agreed that the Bureau staff may contact RUS regarding the pending petition, and has no objection to RUS allowing Bureau staff to review RUS files and records regarding Allband's outstanding loan for the Robbs Creek exchange and/or the Broadband Initiatives Program ("BIP") grant used to build the broadband network operated by Allband Multimedia.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceeding.

Respectfully submitted,


Gerard J. Duffy

Attachment

cc: Suzanne Yelen (via email)
Joseph Sorresso (via email)
Ryan Palmer (via email)