

People's Telephone Co.
PROGRESS REPORT ON SERVICE QUALITY IMPROVEMENT PLAN

PREAMBLE

This document is an integral part of the Company's 2015 Annual Report, as attached to Form 481. It is in compliance with §54.313(a)(1) adopted in the FCC's USF/ICC Transformation Order (11-161) and incorporates all further clarifications identified in subsequent Reconsideration Orders, as applicable, that were in effect at the time the Annual Report was due by Rule, to the requisite regulatory authorities.

People's Telephone Co. ("PTC") advises that the environment in which the Company operates is dynamic, not static. As a result, certain network targets identified in its initial 5 Year Network Improvement Plan filed in 2014, may be modified in response to regulatory decisions that have been subsequently adopted, and as their implication upon the Company's financial viability in providing the required services and service level quality became known.

Modifications to the network plan may also have been taken due to changes in technology (vendor)-driven support, weather, or emergency related contingencies.

Targets not met or changed since the initial 5 Year Plan filing are identified and reasons provided for those changes.

UNIVERSAL SERVICE SUPPORT RECEIVED IN 2015

Per the Universal Service Administrative Company (USAC), as available for the period up to this filing, People's Telephone Co. received a total of \$389,800 (as of 3/31/15) in USF support funds. The breakdown of the funding to the point of filing is:

- \$195,235 High Cost Loop Support
- \$ 0 Local Switching Support
- \$48,591 Connect America Fund-Intercarrier Compensation Support
- \$134,880 Interstate Common Line Support
- \$11,094 Safety Net Additive

Universal Service Support funds are used to: 1) maintain, upgrade, and improve the Company's network and, 2) cover operating expenses and debt commitments as necessary to permit it to offer a high level of service for both voice and broadband within the authorized serving area.

USF support will continue to be included in the Company's current revenue accounts and forward-looking projections. Revenues, in the aggregate, are used for both capital expenditures as well as to cover operating expenses and fixed costs incurred to obtain capital from lenders. The Company does not segregate USF separately for purposes of capital and

operating expenditures; USF is expended in the same proportion as the Company's aggregated revenue amount.

The proportionate share of USF expenditures in 2015 to date is \$218,288 (56%) for CAPEX and \$171,512 (44%) for OPEX.

In the accompanying 2015 project detail, expenditures for network improvements sometimes involve service quality, coverage and capacity as an integrated improvement project and are not mutually exclusive from one another. In terms of cost, projects involving multiple qualifiers are of equal dollar equivalence. Where a project involves a single qualifier, it is so noted.

PROGRESS REPORT

2015

25th Street to Mowitch/Tuckwilla: For 2015, PTC intends to use operating cash flow (this and all further references to “operating cash flow” in this document includes the use of USF support funds) to deploy active Ethernet Fiber to the Home in the 25th Street to Mowitch/Tukwilla area of Lyons Oregon.

The project cost is estimated at \$1,028,750. The project involves placement of approximately 2 miles conduit/micro-duct and 5.5 route miles of fiber to 35 subscribers currently served over copper. When complete, these 35 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 12 broadband subscribers with minimum broadband speeds of 1 MB upstream/8 MB downstream. PTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home.

Update: Through Q1 this project has not yet been started. Project is expected to start near the end of Q2 2015 and be completed by the end of the year.

Miscellaneous Outside Plant Construction: For 2015, PTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the various areas of the Lyons, Oregon exchange area.

PTC expects to spend \$100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2015 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Update: Through Q1 \$404,000 has been spent on miscellaneous outside plant construction. The bulk of these costs (\$393,000) have been spent on Fiber to the Home projects that were originally scheduled to be finished during 2014.

Central Office Expenditures: For 2015, PTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Lyons Central office.

PTC expects to spend \$57,500 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers.

Update: Through Q1 2015 \$47,000 has been spent on central office capital expenditures. \$24,000 has been spent on miscellaneous switching equipment, and \$22,000 on various transmission equipment.

General Expenditures: For 2015, PTC does not plan any general expenditures.

Update- Through Q1 \$2,000 was spent on a new fence around the central office and \$2,800 was spent on a new partition wall within the CO.