Confidential per WAC 480-07-160

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

Reviewed Consolidated Financial Statements

December 31, 2015 and 2014

REDACTED

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

Reviewed Consolidated Financial Statements

December 31, 2015 and 2014

JOHNSON
STONE &
PAGANO, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

1501 Regents Blvd., Suite 100
Fircrest, WA 98466-6060

Independent Accountant's Review Report

Board of Directors
Pioneer Telephone Holding Company, Inc. and Subsidiary
LaCrosse, Washington

We have reviewed the accompanying consolidated financial statements of Pioneer Telephone Holding Company, Inc. and Subsidiary (a corporation) (the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Managements Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement whether due to fraud or error.

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

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

Johnson, Stone + Pagano, P.S.

JOHNSON, STONE & PAGANO, P.S.

January 28, 2016

REVIEWED CONSOLIDATED FINANCIAL STATEMENTS

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2015 and 2014

	2015	2014
ASSETS	[redacted]	
CURRENT ASSETS		
Cash and cash equivalents		
Short-term investments		
Accounts receivable		
Materials and supplies - at average cost		
Prepaid expenses		
Total Current Assets		
INVESTMENTS AND OTHER ASSETS		
Rural Telephone Finance Co-operative capital certificates		
Investment in land and building - less accumulated depreciation of [redacted]		
Total Investments and Other Assets		
PROPERTY, PLANT AND EQUIPMENT		
Land		
Depreciable plant and equipment		
Allowances for depreciation (deduction)		
Total Property, Plant and Equipment		
TOTAL ASSETS		

PETITION OF PIONEER TELEPHONE COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM – EXHIBIT 5, PAGE - 5

REDACTED

See independent accountant's review report and accompanying notes to consolidated financial statements.

Confidential per WAC 480-07-160

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS (Continued)

December 31, 2015 and 2014

	2015	2014
LIABILITIES AND STOCKHOLDERS' EQUITY	[redacted]	
CURRENT LIABILITIES		
Accounts payable		
Taxes, other than income taxes		
Other current liabilities		
Deferred revenue		
Total Current Liabilities		
DEFERRED FEDERAL INCOME TAXES		
Total Liabilities		
STOCKHOLDERS' EQUITY		
Common stock, no par value;		
Authorized - [redacted] shares		
Issued and outstanding [redacted] shares		
Retained earnings		
Accumulated other comprehensive income (loss)		
Total Stockholders' Equity		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		

PETITION OF PIONEER TELEPHONE COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM – EXHIBIT 5, PAGE - 6

REDACTED

See independent accountant's review report and accompanying notes to consolidated financial statements.

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2015 and 2014

	2015	2014
REVENUES	[redacted]	
Telecommunications service revenues		
Other operating revenues		
Total Revenues		
EXPENSES		
Operating expenses		
General and administrative		
Depreciation and amortization		
Other operating expenses		
Taxes, other than income taxes		
Total Expenses		
Operating Income		
OTHER INCOME (EXPENSE)		
Interest and dividend income		
Gain (loss) on sale of investments		
Miscellaneous expense		
Total Other Income		
Income before Income Taxes		
INCOME TAXES		
Deferred		
NET INCOME		

REDACTED

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PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2015 and 2014

	2015	2014
NET INCOME	[redacted]	
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized gains (losses) on investments, net of deferred income taxes (benefits) (2015 - $[redacted]; 2014 - [redacted]		
COMPREHENSIVE INCOME		

PETITION OF PIONEER TELEPHONE COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM – EXHIBIT 5, PAGE - 8

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PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 2015 and 2014

	Common Stock		Retained	Accumulated Other Comprehensive	
	Shares	Amount	Earnings	Income (Loss)	Total
BALANCE AT DECEMBER 31, 2013	[redacted]				
Dividends paid					
Redemption of common stock					
Common stock issued					
Net income for the year					
Other comprehensive income					
BALANCE AT DECEMBER 31, 2014					
Dividends paid					
Net income for the year					
Other comprehensive loss					
BALANCE AT DECEMBER 31, 2015					

PETITION OF PIONEER TELEPHONE COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM – EXHIBIT 5, PAGE - 9

REDACTED

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES	[redacted]	
Net income		
Adjustments to reconcile net income to net cash provided by operating activities		
Gain (loss) on sale of investments		
Depreciation of plant and equipment		
Depreciation and amortization of other assets		
Deferred federal income taxes		
Net change in operating assets and liabilities		
Net Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments		
Proceeds from sale of short-term investments		
Additions to property, plant and equipment		
Net Cash Provided (Used) by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Common stock issued		
Dividends paid		
Redemption of common stock		
Net Cash Used by Financing Activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents at Beginning of Year		
CASH AND CASH EQUIVALENTS AT END OF YEAR		

REDACTED

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2015 and 2014

	2015	2014
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES	[redacted]	
(Increase) decrease in assets		
Accounts receivable		
Recoverable federal income taxes		
Materials and supplies		
Prepaid expenses		
Increase (decrease) in liabilities		
Accounts payable		
Taxes, other than income taxes		
Other current liabilities		
Deferred revenue		
NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for		
Income taxes received		

REDACTED

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Pioneer Telephone Holding Company, Inc. and Subsidiary (the "Company") conform with accounting principles generally accepted in the United States of America and practices within the telecommunications industry. The policies that materially affect financial position, results of operations and cash flows are summarized as follows:

Organization
Several years ago, the stockholders reorganized their interest in Pioneer Telephone Company ("Pioneer") by exchanging their stock in Pioneer for stock in Pioneer Telephone Holding Company, Inc., making Pioneer a wholly-owned subsidiary of the Company. The method used in accounting for the business combination was the pooling of interests method.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Pioneer Telephone Company. All material intercompany accounts and transactions have been eliminated in consolidation.

Operations
The Company is engaged in providing telecommunications local exchange, network access, long distance, other telecommunications services, broadband access services and internet access services to customers in Adams and Whitman Counties in eastern Washington.

Pioneer is a small rate-of-return carrier. The Federal Communications Commission ("FCC") Report and Order and Further Notice of Proposed Rulemaking ("FCC 11-161") reformed the universal service and intercarrier compensation systems. These reforms modified the manner in which Pioneer recovers its telecommunications revenue requirements.

Regulation
Pioneer is subject to the accounting and rate regulation policies of the Washington Utilities and Transportation Commission ("WUTC") and adheres to the FCC Uniform System of Accounts for Class B telephone companies as prescribed by the FCC under Part 32.

Cash and Cash Equivalents
For purposes of the statements of cash flows, the Company considers cash to be cash on hand, in checking accounts, money market accounts and time certificates of deposit with maturities of less than one year.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term Investments
Short-term investments consist of investments in equities, mutual funds, bond mutual funds and bonds. The Company classifies the investments as "available for sale," and the investments are stated at fair value. Realized gains and losses are calculated using the average cost method and are included in income; unrealized gains and losses are reported in other comprehensive income (loss) on the statements of comprehensive income.

Fair Value Measurements
The Company measures fair value of its assets, liabilities and related disclosures in accordance with a hierarchy based on defined inputs. The hierarchy prioritizes the inputs underlying fair value measurements and requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs essentially distinguish the relative reliability of inputs to fair value measurements. Level 1 inputs are more reliable and objective than Level 2 inputs which are in turn more reliable and objective than Level 3 inputs. In arriving at a fair value measure, the Company is required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

Accounts Receivable
The Company extends credit to its business and residential customers based upon a written credit policy. Service interruption is the primary vehicle for controlling losses. Accounts receivable are recorded when subscriber bills, carrier access bills and exchange carrier associations settlement statements are rendered. Certain exchange carrier associations' settlements are subject to out-of-period adjustments and are recorded during the year in which they become determinable. Accounts receivable are written off when they are determined to be uncollectible. The Company believes no allowance for doubtful accounts is necessary at December 31, 2015 and 2014 as there were no accounts receivable outstanding over ninety days or more from the date invoices were first issued.

Accounting for Long-lived Assets
The Company periodically reviews its long-lived assets such as property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. At December 31, 2015 and 2014, management has determined that there were no material impairment charges to be recorded as of those dates.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment
Property, plant and equipment are stated at cost and are depreciated on a straight-line basis for accounting purposes. Lives used for calculating depreciation on telecommunications plant are in accordance with the rules of the WUTC and are based on the estimated economic useful lives of the assets. Likewise, lives used for calculating depreciation on all other property and equipment are based on the estimated economic useful lives of the assets.

Telecommunications Plant Retirements
When an asset is retired or otherwise disposed of, the cost of the asset is removed from the asset account and charged to the related allowance for depreciation. Similarly, the cost of removal and salvage proceeds are charged or credited to the allowance for depreciation. Consequently, no gain or loss upon disposition is recognized.

Revenue Recognition, Major Customers and Services
Services provided by the Company include primarily local network, network access services, long distance access services, digital subscriber lines and broadband access services included in telecommunications service revenues. Network access service revenues, which represent a major portion of Pioneer's operating revenues, are derived from the provision of exchange access services to interexchange carriers or to an end user of telecommunication services beyond Pioneer's local network.

Revenues for certain interstate access services are currently received through tariffed access charges filed by the National Exchange Carrier Association ("NECA") with the Federal Communications Commission ("FCC") on behalf of the NECA member companies. These access charges are billed by Pioneer to interstate interexchange carriers and pooled with like-revenues from all NECA member companies. The pooled access charge revenues received by Pioneer are based upon the actual cost of providing interstate access services, plus a return on the investment dedicated to providing these services. Pooled access charge revenues are estimated at December 31 each year and are subject to adjustment. Such adjustments are normal occurrences and are recorded by Pioneer during the year in which they occur.

The FCC 11-161 modified and replaced the existing system with universal service reform and intercarrier compensation reform. A Connect America Fund has been established to replace all existing high-cost support mechanisms and sets broadband service requirements. Alongside the broadband service rules, reforms to establish a framework to limit reimbursements for excessive capital and operating expenses were implemented as of July 1, 2012 and phase outs of certain support payments occurred. Intercarrier compensation reform adopts a uniform bill-and-keep framework as the ultimate end state for all telecommunications traffic exchanged with Pioneer. Intercarrier compensation rates are capped and the disparity between intrastate and interstate terminating end office rates are being brought to parity in two steps as outlined in FCC 11-161. The state's public utilities

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition, Major Customers and Services *(Continued)*
commissions will be overseeing the modifications to rates in intrastate tariffs. Limits on carriers' total eligible recovery will reflect existing downward trends on intercarrier compensation revenues with declining switching costs and minutes of use.

More recent universal service reform became effective July 2015. The FCC froze the National Average Cost per Loop ("NACPL") that serves as the threshold for support calculations of the High Cost Loop Support ("HCLS") revenues. The actual NACPL compared to the frozen NACPL is just one factor that impacts the Pioneer's HCLS revenues in 2015. This recent reform caused no significant impact on the Pioneer's revenues for 2015.

Pioneer continues to review the reforms and modifications to the support that it receives and understands that those reforms and modifications could have an adverse effect on Pioneer's revenues and cash flow. Revenue impacts are subject to change based on future data submissions and further clarification from the FCC.

Revenues for intrastate access services are received through tariffed access charges filed by Pioneer at the WUTC. Once filed, the tariffed access charges become effective if specifically approved by the WUTC or allowed to become effective by operation of law. The intrastate switched access charges are billed by Pioneer to intrastate interexchange carriers. Intrastate special access charges are also billed to intrastate interexchange carriers that order such services and, in some cases, to retail customers that order special access services. Before July 1, 2014, the switched access charges associated with carrier common line and state universal service fund were pooled with all Washington Exchange Carrier Association ("WECA") member companies and Pioneer received a distribution of net revenues based upon Pioneer's proportionate share of WUTC approved revenue objectives of all participating WECA member companies.

Effective July 1, 2014, the WUTC implemented a state universal communications service program ("State USF Program") that temporarily replaced the terminated universal service support pool ("Traditional USF") administered by WECA and also replaced the cumulative reduction in support Pioneer received from the federal Connect America Fund ("CAF"). The State USF Program began January 2015 which resulted in a cash flow issue for some of the companies that met the WUTC criteria to be eligible for such support. The WUTC granted a one-time partial distribution in 2014 of the State USF Program equal to the amount Pioneer received from the Traditional USF for 2012 in the amount of [redacted]. The remainder of the annual distribution, which was comprised of the cumulative reduction in CAF support of [redacted], was disbursed in January 2015. Subsequent annual disbursements comprised of the Traditional USF and the disbursement of the cumulative CAF deficit support are scheduled to occur in January of the following State USF Program years, assuming Pioneer continues to be eligible under the program. The State USF Program year runs from July 1 to

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition, Major Customers and Services (Continued)
June 30, therefore, Pioneer accrued [redacted] in 2014 as a receivable due from the State USF Program for the period July 1, 2014 to June 30, 2015, and deferred revenue of [redacted] in 2014 for the unearned portion. In 2015, Pioneer received [redacted] from the State USF Program for the period July 1, 2015 to June 30, 2016, and recorded deferred revenue of [redacted] for the unearned portion. The State USF Program is scheduled to last for five program years.

As of July 31, 2014, WECA terminated the pooling of originating carrier common line ("CCL") minutes of use and Pioneer opted to keep its existing originating CCL rate, which was allowed by the WUTC to become effective as a matter of law.

For some of the services that the Company provides to its customers, the Company relies upon services and facilities supplied to it by other companies. Any material disruption of the services or facilities supplied to the Company by other companies could potentially have an adverse effect upon the Company's operating results.

Federal Income Taxes
The Company provides federal income taxes for the effects of transactions reported in the financial statements and consists of taxes currently due and deferred income taxes. The Company and its subsidiary file federal income taxes on a consolidated basis. The consolidated tax liability of the affiliated group is allocated based on each company's contribution to consolidated taxable income.

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

The Company's federal income tax returns for the tax years previous to December 31, 2012 are closed to examination.

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

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The management of the Company evaluated for subsequent events and transactions for potential recognition and disclosure through January 28, 2016 the date of completion of the accountant's review procedures. All identified material events or transactions have been recorded or disclosed.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at six financial institutions in eastern Washington, insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The Company periodically maintains cash balances in excess of the federally insured limits. At December 31, 2015, the Company's cash balances exceeded the federally insured limit by [redacted].

In addition, at December 31, 2015, the Company has deposits totaling [redacted] in money market funds with a broker-dealer. The funds are insured by the Securities Investor Protection Corporation up to $500,000 for brokerage accounts with a limit of $250,000 for claims of uninvested cash balances and additional brokerage insurance through the broker-dealer's underwriters as stated in the broker-dealer account agreement.

The Company's accounts receivable are subject to potential credit risk as they are concentrated in and around LaCrosse and Endicott, Washington and are unsecured.

NOTE 3 - FAIR VALUE DISCLOSURES

Fair value of assets measured on a recurring basis at December 31, 2015 and 2014 were as follows:

		Fair Value Measurements		
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Subjective Inputs (Level 3)
December 31, 2015				
Fixed Income Investments	[redacted]			
Corporate bonds				
Equities				
Bond mutual funds				
Mutual funds				
Co-operative capital certificates				

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 3 - FAIR VALUE DISCLOSURES (Continued)

		Fair Value Measurements		
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Other Subjective Inputs (Level 3)
December 31, 2014	[redacted]			
Fixed Income Investments				
Corporate bonds				
Equities				
Bond mutual funds				
Mutual funds				
Co-operative capital certificates				

Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Investments valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Level 3 inputs are based on the Company's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

During 2015, the Company sold some of its investments resulting in a loss of [redacted] with proceeds received of [redacted].

During 2014, the Company sold some of its investments resulting in a gain of [redacted] with proceeds received of [redacted].

NOTE 4 - DEPRECIABLE PLANT AND EQUIPMENT

The following is a summary of asset classifications and estimated useful lives for depreciable plant and equipment:

	Useful Lives (Years)	2015	2014
Pioneer Telephone Holding Company, Inc.	[redacted]		
Internet access equipment			

PETITION OF PIONEER TELEPHONE COMPANY TO RECEIVE SUPPORT FROM THE STATE UNIVERSAL COMMUNICATIONS SERVICES PROGRAM – EXHIBIT 5, PAGE - 18

REDACTED

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 4 - DEPRECIABLE PLANT AND EQUIPMENT (Continued)

	Useful Lives (Years)	2015	2014
Pioneer Telephone Company	[redacted]		
Support assets			
Central office assets			
Cable and wire facilities			
Nonregulated equipment			
Total			

Depreciation Expense
The provision for depreciation on depreciable plant and equipment and other assets in service is as follows:

	2015	2014
Depreciable plant and equipment	[redacted]	
Other assets - building		
Total Depreciation Expense		

NOTE 5 - INCOME TAXES

The Company recognizes deferred federal income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent future income tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The differences relate to the following:

- Depreciable assets' lives and methods of calculating depreciation for financial and income tax reporting.
- Accounting for short-term investments at fair market value for financial reporting purposes and cost for income tax purposes.
- Carryforward of a net operating loss for income tax purposes.

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 5 - INCOME TAXES (Continued)

The tax effects of temporary differences that give rise to significant portions of deferred tax (assets) liabilities consist of the following:

	2015	2014
Property, plant and equipment	[redacted]	
Short-term investments		
Net operating loss carryforward		

Components of consolidated federal income taxes are as follows:

	2015	2014
Deferred	[redacted]	

The Company has a consolidated net operating loss carryforward of approximately [redacted] from 2011 that is available for 20 years from the year of loss.

The Company has not established a valuation allowance at December 31, 2015 and 2014 for the deferred tax benefit that existed at that date related to the net operating loss carryforward. Management believes that the Company's future taxable income will be enough to absorb and to prevent a net operating loss carryforward from expiring unused.

NOTE 6 - LEASES

Pioneer leases certain telecommunications facilities, bandwidth and transport services from a local telecommunications provider. The term of the lease consists of a three-year lease expiring July 2016, at [redacted] per month. In addition, Pioneer also leases certain bandwidth and transport services from another local telecommunications provider with a one year term starting January 2016, switching to a month-to-month basis at the end of one year. Lease payments will be [redacted] per month.

Pioneer leases certain telecommunications facilities and power from CenturyTel of Washington, Inc. The term expired September 1, 2009, and Pioneer is currently leasing the facilities on a month to month basis. Pioneer pays a monthly rate of [redacted] and applicable taxes. Negotiations are in process to renew the lease.

PIONEER TELEPHONE HOLDING COMPANY, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 6 - LEASES (Continued)

Future minimum payments for 2016 under the terms of the agreements referred to above in this Note 6, determined by the current monthly or scheduled payments, are [redacted].

NOTE 7 - RETIREMENT PLAN

Pioneer has a 401(k) profit sharing plan (the "Plan"). Eligibility for participation in the Plan begins after one year of service and attainment of age 21. The Plan allows for employee elective deferrals up to the maximum allowed by law. The Plan provides for discretionary matching contributions and discretionary profit sharing contributions as determined by Pioneer. Such contributions have a 6 year graded vesting schedule with any forfeitures used to reduce the Pioneer contributions to either the discretionary matching or profit sharing contributions. Pioneer's contributions were [redacted] of participation elective contributions with a maximum of [redacted] and [redacted] of eligible employee compensation in 2015 and 2014. Pioneer's discretionary contributions charged to expense were [redacted] and [redacted] in 2015 and 2014, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The FCC continues to pursue universal service reform as stated in Note 1 under Revenue Recognition, Major Customers and Services. The FCC is proposing to migrate legacy Universal Service Fund ("USF") funding to a model based support called Alternative Connect America Cost Model ("A-CAM"). Preliminary calculations indicate a significant positive impact on revenues if the A-CAM model was adopted by Pioneer. The A-CAM model would be a voluntary election for all independent rate-of-return telephone companies once it is effective. However, the FCC will continue to develop some form of a new funding mechanism to transition all rate-of-return carriers away from the current legacy support mechanism of companies that do not elect the A-CAM model based support plan.

As noted in Note 1, the FCC froze the NACPL to satisfy the annual HCLS funding cap for 2015. In 2016, in order for the HCLS funding to meet the overall cap an estimated pro rata expense adjustment factor has been established to calculate the actual HCLS distribution to all of the independent telephone companies that receive HCLS funding. This will cause a reduction of approximately [redacted] to Pioneer's calculated HCLS revenues beginning in 2016.