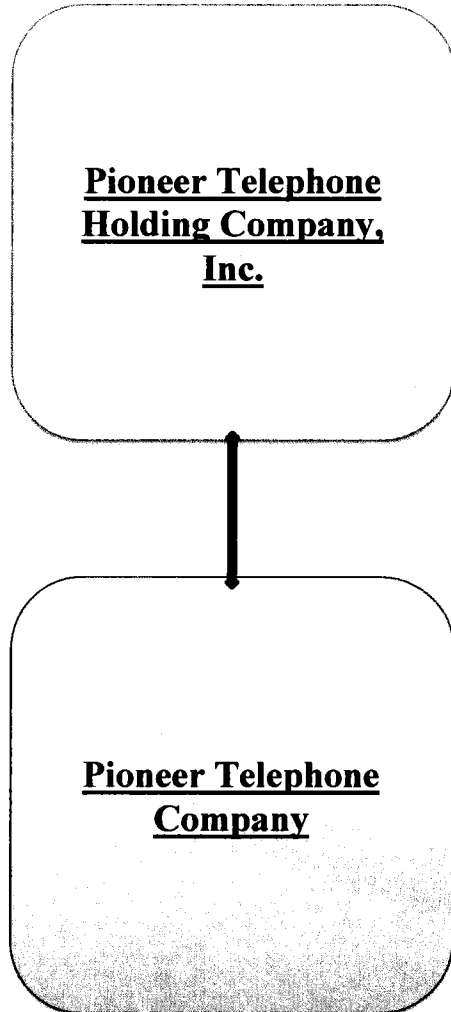


**EXHIBIT 1**  
**CORPORATE ORGANIZATION CHART**



FILED  
PROJECTS MANAGER  
2016 JUL 27 PM 2:10  
STATE OF ILLINOIS  
OFFICE OF THE  
SECRETARY OF STATE

## **EXHIBIT 2**

### **AFFILIATED TRANSACTIONS**

Pioneer Telephone Company ("Company") has affiliated transactions with its parent holding company Pioneer Telephone Holding Company, Inc. During 2015, these transactions consisted of the following:

- Loan advances from parent to the Company. These advances are recorded on the Company's book to an affiliated payable account.
- The Company provides wholesale DSL service to the parent and charges the parent for such services at rates set forth in the applicable tariff of the National Exchange Carrier Association, Inc. ("NECA").
- The Company provides the parent with special access service, for which the parent is charged by the Company at applicable NECA tariff rates.
- The Company provides customer service support on behalf of the parent with respect to services furnished by the parent to end user customers. The Company is reimbursed by the parent for such services, based on time devoted to such service, to which fully loaded labor rates are applied.
- The Company provides billing and collection services to the parent with respect to retail internet access service furnished by the parent to the Company's end user customers. The cost of these services is identified through the Company's FCC Part 64 procedures as a reduction of operating expenses.
- The Company purchases from the parent web hosting service, email delivery and internet access at rates equivalent to the rates the parent charges to its similarly situated retail customers.
- The parent pays federal income taxes due with respect to income earned by the Company, and is reimbursed by the Company for the Company's allocated share of such taxes.

### EXHIBIT 3

#### DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which the Company finds itself has created a climate of great financial uncertainty. The Company has been working over the past several years to address growing competition. The Company has taken steps to increase the availability and attributes of advanced services offered by the Company, including broadband. This has resulted in the Company making additional investments in regulated plant of approximately \$1,488,315 during the period January 1, 2011 through December 31, 2015. The Company paid off significant debt obligation of approximately \$5.6 million in 2012.

The overall financial condition of the Company is detailed on other Exhibits to this Petition. What this information demonstrates is that, when adjusted to eliminate the support from the state Universal Communications Services Program that the Company received or accrued in 2015, the Company's total regulated revenue decreased by 9.7 percent from 2011 through 2015. The Company has looked for ways to lower expenses. However, much of the Company's operating expenses are fixed obligations, such as debt-related payments.

At the same time, the Company is seeing increased competition. For example, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Since 2011, the Company has lost 45 access lines. A loss of customers equates to a loss of revenue without a corresponding reduction in expenses. This trend of access line loss is exacerbated by the Federal Communications Commission's requirement that the Company increase its rates to remain eligible for full federal USF support. Since 2012, the Company has increased its local exchange service rates in order to be in compliance with the national urban rate floor prescribed by the Federal Communications Commission.

As an example of why state Program support is needed, the Company's receipt of revenue from the traditional Washington intrastate universal service access rate element and related pooling fund were terminated effective July 1, 2014. Since then, the loss of revenues derived from the traditional universal service access rate element has been off-set by revenues received by the Company as a result of its participation in the Program. Using 2012 as a base line, the Company is facing a loss of traditional universal service fund revenues of approximately \$15,580 per year if its participation in the Program is not renewed.

As another example, some of the financial uncertainty that the Company faces stems from the USF/ICC Transformation Order issued by the Federal Communications Commission.<sup>1</sup> The

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<sup>1</sup> *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform - Mobility Fun*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-  
PETITION OF PIONEER TELEPHONE COMPANY TO  
RECEIVE SUPPORT FROM THE STATE UNIVERSAL  
COMMUNICATIONS SERVICES PROGRAM –  
EXHIBIT 3, PAGE – 1

USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The intercarrier compensation portion of the Transformation Order introduces a concept of a base line year for calculating terminating access and reciprocal compensation revenues and provides support from the Connect America Fund ("CAF") based on the base line year. However, the base line year revenues (from which the level of CAF support is derived) are reduced iteratively by five percent each year. The CAF support reduction began in July 2012. Projecting through the year ending June 30, 2017, including reductions that will occur July 1, 2016, the Company has seen a reduction in the annual base line revenue from \$454,357 at July 2012 to \$351,573 at June 30, 2017 or a total reduction of \$102,784.

On top of all this, during the four-year period ended December 31, 2015, the Company has seen its total federal high cost support undergo a significant reduction, declining from \$793,068 in 2011 to \$728,473 in 2015.

These factors, among others, have led to the strained financial condition of the Company as reflected in the financial reports that are part of the Petition.

The combination of factors noted above creates a situation in which, without support from the state universal communications services program, the Company may be faced with a choice of increasing rates further or reducing service in order to be able to match expenses to revenues. Neither choice presents a viable path for providing continued high quality service to customers. The dilemma presented by these choices reflects the risk of rate instability or service interruption or cessation to which the Company is subject.