

2012 Report to Members

Glenn Lovelace Chief Executive Officer

“The nine most terrifying words in the English language are, ‘I’m from the government and I’m here to help.’”

--Ronald Reagan
40th president of US (1911 - 2004)

2011 was a year of change for both PVT and the industry. As reported below, the change that impacts PVT and the industry more dramatically than any other is the passage by the FCC of its USF/ICC “Reform.” The plan is intended to “help” rural consumers attain universal access to broadband; however, as presented, it will not achieve its goal. To the contrary, it will jeopardize rural telephone companies and the services they provide to you. Even with this change, we are pleased to report that we have been able to achieve continued growth in several areas, including substantial buildout of Broadband Stimulus, DSL, fiber and digital remotes.

In 2011 our first two Broadband Stimulus projects were completed. Broadband Stimulus Project #1 consisted of construction of fiber in the Mayhill exchange, as well as to several areas in the Hope exchange. Project #2 included the construction of fiber from our Headquarters location to the Cottonwood Central Office and Roswell. In addition, Project #3 was commenced, which will include fiber construction to several areas in the Hondo exchange. Our internet backhaul was also increased from 310 to 700 mbps to be able to handle the increased internet demands of our members and customers. These projects will ensure that PVT will be able to provide the best possible communications services to our members.

We continue to take pride in actively supporting the communities we serve, whether it is through volunteer effort, charitable donations, Little League sponsorship, school and library reading programs, contributions to schools’ athletic teams, and many other programs. Through our PVT Education Foundation scholarships, members and their children (our future) are afforded the opportunity to enhance their education.

Late last year, the FCC approved the first of its USF/ICC “Reforms.” As previewed at last year’s annual meeting, the implementation of this ruling poses a severe threat to PVT and the entire rural telecommunications industry. As the order presently stands, the FCC’s radical reform efforts will lead to **significantly reduced support** for the rural telecommunications providers and **mandates substantially higher prices** for our rural customers. That means lower service and higher prices. PVT has been actively involved in challenging the ruling by providing detailed company financial information and comments for the many active court cases and appeals the ruling has brought about. The ruling unlawfully penalizes rural telcos for following the FCC’s direction to provide universal service and build out voice and broadband networks in the very high cost areas we serve. The new FCC rules will create a transfer of several billion dollars from rural America to the mega-carriers that have failed to build out services to their rural customers for decades. The FCC goal of reform has merit, but as we have seen with many things coming from Washington, the implementation varies far from those goals.

Although we cannot compete with the mega-carriers in terms of lobbyists and political donations, we ask that you help us make our voices heard in Washington. It will take a concerted effort of every company and person affected by this to make a difference. You can help by working with PVT to contact the FCC, your senators and representatives to express your concerns and to ensure that the FCC makes

the necessary changes to USF so that rural America can remain connected and continue to have access to the global world via an accessible, affordable and sustainable broadband network. We have enclosed a postage paid post card for you to sign and write your own comments. We will make these available to all of the necessary parties. You may also go to our website, www.pvt.com, and click on the tab "Stop the FCC." We can assure you that we will continue to use our every effort to secure the best possible outcome for PVT and its customers.