

## How the FY23 IIBF Phone Commissions Revenue Was Calculated

FCC Order 20-61 made a number of changes that affected phone commission rates deposited into the IIBF. The most significant was a change that reduced the interstate phone commission rate to two cents per minute (\$0.02) for interstate calls. Phone calls for which the initiating location cannot be physically determined must be counted as an interstate call under the regulations. GTL does not have the technology to make that physical determination, so a vast majority of calls were shifted to interstate classification for purposes of applying commissions. The phone call rate itself was also reduced from eleven cents to nine cents per minute

In estimating the FY23 projected phone commission revenue we used the November 2021-May 2022 actual call volumes in both intra-and interstate and used that data to calculate a percentage split based on call experience. We did not include “international” or “other” call types in the percentage calculations due to their relatively insignificant total but used them in the overall commission estimate. The data revealed that 90% of calls were charged as interstate and 10% as intrastate after the FCC Order’s effective date.

Nov-May total intra call minutes	4,286,663	10%
Nov-May total inter call minutes	40,607,852	90%
Nov-May total call minutes	44,894,515	

We then tabulated the total call minutes for June 2021-May 2022 and applied the percentage factors to arrive at an estimated call volume for interstate and intrastate calls. Estimated commissions were then calculated by applying the intrastate formula (minutes x \$0.09 call cost x 56% commission) and interstate formula (minutes x \$0.02 commission), to arrive at the total combined estimated commissions.

<b>FY23 Revenue Projection:</b>	
Jun 21-May 22 Total minutes	80,815,906
Jun 21-May 22 intra assumed at 10%	8,081,591
Jun 21-May 22 inter assumed at 90%	72,734,315
inrastate call commission projection	407,312
INTERstate call commission projection	1,454,686
intra plus interstate projection	1,861,998

The combination of the two calculations above basically took our actual call volumes from the previous twelve month’s history and recast earnings as if the lower phone call

per minute rate and the reduced commissions due to call type reclassification had been in effect for the entire twelve-month timeframe.

Actual minutes of call data from GTL:

Call Minutes						
Month Year	Intrastate Call Minute	Interstate Call Minute	International Call Minute	Other Call Minute	Total Monthly Call Minute	
Mar-21	5,639,873	1,707,998	1,114	398,148	7,747,133	
Apr-21	6,374,032	1,946,965	1,526	444,333	8,766,856	
May-21	5,881,657	1,764,809	1,029	411,215	8,058,710	
Jun-21	5,663,288	1,711,722	796	388,810	7,764,616	
Jul-21	5,284,856	1,661,792	1,489	385,116	7,333,253	
Aug-21	5,029,940	1,550,865	1,586	357,630	6,940,021	
Sep-21	5,029,745	1,567,117	1,447	344,761	6,943,070	
Oct-21	4,512,898	1,448,601	912	316,268	6,278,679	
Nov-21	594,517	5,924,610	2,973	88,186	6,610,286	
Dec-21	612,029	6,218,778	36,928	68,735	6,936,470	
Jan-22	572,977	5,256,163	43,079	60,146	5,932,365	
Feb-22	645,338	5,698,463	20,503	62,818	6,427,122	
Mar-22	641,698	5,800,489	20,834	59,043	6,522,064	
Apr-22	611,142	5,799,083	31,246	58,824	6,500,295	
May-22	608,962	5,910,266	40,351	68,086	6,627,665	
Jun-22	620,601	5,836,613	30,810	61,984	6,550,008	

As you can see in the chart above, the effect of the FCC ruling was immediate and noticeable starting with November 2021 call classifications. So instead of earning roughly five cents commission per call, the commission dropped to two cents per call when calls were reclassified by GTL from intrastate to interstate.

The net effect of a per-minute phone call rate reduction and the impacts of the FCC order impacting call classification, thus commission level, was a significant reduction in projected phone commission revenue for FY23.