

ETC ANNUAL REPORT PER WAC 480-123-070 AND WAC 480-123-080
Contains Certifications Required by WAC 480-123-060 and 070
June 29th, 2017

The Toledo Telephone Company, Inc. (the "Company") hereby submits the following reports in accordance with WAC 480-123-070 and WAC 480-123-080.

1. Report 1: Report on use of funds: WAC 480-123-070(1)(a):

The Company used support from the federal high-cost fund in 2016 as follows; The primary use of federal high cost funds was use to service the debt on the company's \$18,000,00.00 RUS loan.

For 2016 the Company's gross capital expenditures were \$3,286,288. The Company's 2016 operating expenses were \$4,394,713. As of this filing, 100% of the fiber optics have been placed. 100% of our subscribers have been cut-over to fiber, and we have launched Gigabit services throughout our service area. At the conclusion of this project in late 2016, 100% of the homes and businesses in our service area have access to Gigabit Ethernet as well as traditional voice services. The Company was recognized as the first provider in the state to be awarded Gigabit Certification from NTCA. Although the company does not offer traditional video services, we encourage all our broadband customers to stream video from any legal source they choose without restrictions or data caps.

Per the direction of Commission Staff, the NECA -1 report will be provided as soon as it is available and no later than August 1, 2017.

2. Report 2: WAC 480-123-070(1)(b): The Company reports that the investments and expenses report under Report 1, above, benefited the customers as follows:

The customers served by the Company benefited from the use of high-cost fund support by continuing to receive high quality telecommunications services. Without access to support mechanisms, the Company would not have the financial ability to qualify for, and repay our \$18,000,000.00 USDA loan. Without the loan, our customers would never experience the benefit of fiber optics, or Gigabit speeds. The community has benefited economically from new business opportunities; increased home sales (home buyers want fiber) and the school district now has Gigabit connections to the world. Support mechanisms such as the high cost support fund, are crucial to our ability to provide these types of services in a rural, economically depressed area. In fact, community leaders believe fiber optic services may well indeed reverse a decades long economic downward trend.

Through the expenditure of these funds, the Company was able to continue to provide services at a level that the Company believes meets the intent set forth in 47 U.S.C § 254

of providing quality telecommunications services to customers in the service area for which the Company is designated as an ETC. The Company has made substantial investments over the past several years which allow it to provide quality telecommunications services to its customers in its designated ETC service area. Those expenditures and investments, including those reflected in Report 1 above, generally benefit all customers receiving the federal high-cost fund supported services from the Company within its designated ETC service area. The Company offers services that are comparable to services offered in urban areas at rates that are comparable to rates for such services in urban areas.

3. Report 3: Local Services Outage Report: WAC 480-123-070(2):

None

4. Report 4: Report on Failure to Provide Service: WAC 480-123-070(3):

None

5. Report 5: Report on Complaints per 1000 Connections: WAC 480-123-070(4):

The company is not aware of any complaints during 2016 filed with WUTC. No complaints were filed with the FCC.

6. Report 6: Annual Plan: WAC 480-123-080(1):

As they are known to the Company at the date of this Report, the planned investment and expenses related to Washington state for the period January 1, 2018, through December 31, 2018, are projected to be \$500,000.00 for gross capital expenditures relating to 10-gigabit upgrades for middle mile capacity and \$4,400,000.00 for operating expenses. The Company expects that levels of operational expenses will remain relatively the same as those it experience in calendar year 2016, subject to the effects of inflation, other commonly experienced changes in cost of labor and materials, and increased depreciation on new investment placed in service. The Company does not anticipate major adjustments in staffing levels for the relevant period.

7. Report 7: Plan of Investments and Expenditures: WAC 480-123-080(2):

As they are known to the Company at the date of this Report, the planned investment and expenses related to Washington state for the period January 1, 2018, through December 31, 2018, will decrease as those it experienced in calendar year 2016, subject to the effects of inflation, other commonly experienced changes in cost of labor and materials, and increased depreciation on new investment placed in service. The Company does not anticipate major adjustments in staffing levels for the relevant period. Major projects are disclosed in Report 6, above. The Company has not completed its budgeting process and

does not have final numbers prepared for investment and expense levels for 2018. The Company expects that the continued receipt of federal high-cost support will allow the Company to continue to provide the supported services at rates that are comparable to the rates for such services in urban areas. All customer in the Company's designated ETC service area will benefit from the expected level of support by continuing to have available to them services that are comparable to the telecommunications services offered in urban areas at rates that are comparable to the rates for such services in urban areas.