

<b>USDA-RUS</b>  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	<i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i>	
	BORROWER NAME  The Toledo Telephone Co., Inc.	
INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.	PERIOD ENDING December, 2015	BORROWER DESIGNATION WA0538
<b>CERTIFICATION</b> <i>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</i> <b>ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</b>  <b>DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII</b> <i>(Check one of the following)</i>		
<input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects. <span style="margin-left: 200px;"><input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report</span>		
_____ Russell Ramsey	_____ 5/6/2016 DATE	

PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	246,413	1,271,028	25. Accounts Payable	441,933	582,049
2. Cash-RUS Construction Fund	1,004,043	4,988	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments	23,075	0
a. Telecom, Accounts Receivable	0	0	28. Customer Deposits	450	0
b. Other Accounts Receivable	(3,470)	(3,340)	29. Current Mat. L/T Debt	939,876	915,826
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	113,922	137,982	32. Income Taxes Accrued	(52,508)	(507,528)
b. Other Accounts Receivable	409,933	748,740	33. Other Taxes Accrued	17,240	554,305
c. Notes Receivable			34. Other Current Liabilities	36,087	10,395
5. Interest and Dividends Receivable			<b>35. Total Current Liabilities (25 thru 34)</b>	<b>1,406,153</b>	<b>1,555,047</b>
6. Material-Regulated	183,818	211,111	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	351,414	349,883	36. Funded Debt-RUS Notes	1,111,493	733,247
8. Prepayments	93,477	99,256	37. Funded Debt-RTB Notes	37,259	0
9. Other Current Assets	2,382,504	2,274,408	38. Funded Debt-FFB Notes	9,068,286	14,778,384
<b>10. Total Current Assets (1 Thru 9)</b>	<b>4,782,054</b>	<b>5,094,056</b>	39. Funded Debt-Other		
<b>NONCURRENT ASSETS</b>			40. Funded Debt-Rural Develop. Loan		
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reacquired Debt		
b. Nonrural Development	643,079	637,398	43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development	438,869	475,125	<b>46. Total Long-Term Debt (36 thru 45)</b>	<b>10,217,038</b>	<b>15,511,631</b>
13. Nonregulated Investments	65,877	96,676	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets			47. Other Long-Term Liabilities		
15. Deferred Charges			48. Other Deferred Credits	786,160	1,514,071
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
<b>17. Total Noncurrent Assets (11 thru 16)</b>	<b>1,147,825</b>	<b>1,209,199</b>	50. Total Other Liabilities and Deferred Credits (47 thru 49)	786,160	1,514,071
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			<b>EQUITY</b>		
18. Telecom, Plant-in-Service	21,576,491	35,406,333	51. Cap. Stock Outstand. & Subscribed	10,670	10,670
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction	6,689,601	464,524	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates		
22. Less Accumulated Depreciation	15,138,103	16,195,130	55. Other Capital	144,742	51,660
<b>23. Net Plant (18 thru 21 less 22)</b>	<b>13,127,989</b>	<b>19,675,727</b>	56. Patronage Capital Credits		
<b>24. TOTAL ASSETS (10+17+23)</b>			57. Retained Earnings or Margins	6,493,105	7,335,903
	19,057,868	25,978,982	<b>58. Total Equity (51 thru 57)</b>	<b>6,648,517</b>	<b>7,398,233</b>
			<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>	<b>19,057,868</b>	<b>25,978,982</b>

Total Equity = 28.48% % of Total Assets

**OPERATING REPORT FOR  
TELECOMMUNICATIONS BORROWERS**

WA0538

PERIOD ENDING

December, 2015

INSTRUCTIONS- See RUS Bulletin 1744-2

**PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS**

ITEM	PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues	429,238	435,373
2. Network Access Services Revenues	3,555,904	4,094,152
3. Long Distance Network Services Revenues		
4. Carrier Billing and Collection Revenues	8,085	7,743
5. Miscellaneous Revenues	52,453	52,147
6. Uncollectible Revenues	111,055	181,154
<b>7. Net Operating Revenues (1 thru 5 less 6)</b>	<b>3,934,625</b>	<b>4,408,261</b>
8. Plant Specific Operations Expense	893,341	601,160
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)	380,341	424,769
10. Depreciation Expense	966,580	1,223,120
11. Amortization Expense		
12. Customer Operations Expense	269,753	266,245
13. Corporate Operations Expense	811,944	826,063
<b>14. Total Operating Expenses (8 thru 13)</b>	<b>3,321,959</b>	<b>3,341,357</b>
15. Operating Income or Margins (7 less 14)	612,666	1,066,904
16. Other Operating Income and Expenses		
17. State and Local Taxes		
18. Federal Income Taxes	161,909	424,580
19. Other Taxes	272,246	287,451
<b>20. Total Operating Taxes (17+18+19)</b>	<b>434,155</b>	<b>712,031</b>
21. Net Operating Income or Margins (15+16-20)	178,511	354,873
22. Interest on Funded Debt	377,868	354,108
23. Interest Expense - Capital Leases		
24. Other Interest Expense		7,310
25. Allowance for Funds Used During Construction	59,349	234,394
<b>26. Total Fixed Charges (22+23+24-25)</b>	<b>318,519</b>	<b>127,024</b>
27. Nonoperating Net Income	244,732	203,170
28. Extraordinary Items		
29. Jurisdictional Differences		
30. Nonregulated Net Income	348,471	411,779
<b>31. Total Net Income or Margins (21+27+28+29+30-26)</b>	<b>453,195</b>	<b>842,798</b>
32. Total Taxes Based on Income		
33. Retained Earnings or Margins Beginning-of-Year	6,039,910	6,493,105
34. Miscellaneous Credits Year-to-Date		
35. Dividends Declared (Common)		
36. Dividends Declared (Preferred)		
37. Other Debits Year-to-Date		
38. Transfers to Patronage Capital		
<b>39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]</b>	<b>6,493,105</b>	<b>7,335,903</b>
40. Patronage Capital Beginning-of-Year		
41. Transfers to Patronage Capital		
42. Patronage Capital Credits Retired		
<b>43. Patronage Capital End-of-Year (40+41-42)</b>	<b>0</b>	<b>0</b>
44. Annual Debt Service Payments	1,654,577	1,317,873
45. Cash Ratio [(14+20-10-11) / 7]	0.7090	0.6420
46. Operating Accrual Ratio [(14+20+26) / 7]	1.0356	0.9483
47. TIER [(31+26) / 26]	2.4228	7.6350
48. DSCR [(31+26+10+11) / 44]	1.0506	1.6640

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INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

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**Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION**

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1 (a)	R-1 (b)	BUSINESS (a)	RESIDENTIAL (b)	TOTAL (c)	TOTAL (including fiber) (a)	FIBER (b)
Toledo, WA	16.00	16.00	262	1,303	1,565	301.50	301.50
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			262	1,303	1,565	301.50	301.50
No. Exchanges	1						

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**Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION**

**4. BROADBAND SERVICE**

**Details on Least Expensive Broadband Service**

EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Toledo, WA	1,565	1,336	491	6,000	6,000	54.95	Package	Fiber to the Home
Total	1,565	1,336						

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**PART D. SYSTEM DATA**

1. No. Plant Employees 10	2. No. Other Employees 8	3. Square Miles Served 386	4. Access Lines per Square Mile 4.05	5. Subscribers per Route Mile 5.19
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**PART E. TOLL DATA**

1. Study Area ID Code(s) a. 522447 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____	2. Types of Toll Settlements (Check one) Interstate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis Intrastate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis
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**PART F. FUNDS INVESTED IN PLANT DURING YEAR**

1. RUS, RTB, & FFB Loan Funds Expended	3,295,320
2. Other Long-Term Loan Funds Expended	
3. Funds Expended Under RUS Interim Approval	
4. Other Short-Term Loan Funds Expended	
5. General Funds Expended (Other than Interim)	
6. Salvaged Materials	
7. Contribution in Aid to Construction	
8. Gross Additions to Telecom. Plant (1 thru 7)	3,295,320

**PART G. INVESTMENTS IN AFFILIATED COMPANIES**

INVESTMENTS  (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year (b)	Income/Loss This Year (c)	Cumulative Investment To Date (d)	Cumulative Income/Loss To Date (e)	Current Balance (f)
1. Investment in Affiliated Companies - Rural Development					
2. Investment in Affiliated Companies - Nonrural Development			276,031	361,367	637,398

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**PART H. CURRENT DEPRECIATION RATES**

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

YES

NO

**EQUIPMENT CATEGORY**

**DEPRECIATION RATE**

1. Land and support assets - Motor Vehicles	16.00%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	16.00%
5. Land and support assets - Buildings	4.00%
6. Land and support assets - Furniture and Office equipment	20.00%
7. Land and support assets - General purpose computers	
8. Central Office Switching - Digital	9.00%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	
12. Central Office Transmission - Circuit equipment	
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	20.00%
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	7.59%
19. Cable and wire facilities - Aerial cable - Metal	20.40%
20. Cable and wire facilities - Aerial cable - Fiber	20.40%
21. Cable and wire facilities - Underground cable - Metal	4.55%
22. Cable and wire facilities - Underground cable - Fiber	5.00%
23. Cable and wire facilities - Buried cable - Metal	6.00%
24. Cable and wire facilities - Buried cable - Fiber	5.00%
25. Cable and wire facilities - Conduit systems	4.55%
26. Cable and wire facilities - Other	

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INSTRUCTIONS – See help in the online application.

**PART I – STATEMENT OF CASH FLOWS**

<b>1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)</b>	1,250,456
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
<b>2. Net Income</b>	842,798
<i>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</i>	
3. Add: Depreciation	1,223,120
4. Add: Amortization	0
5. Other (Explain)	
<i>Changes in Operating Assets and Liabilities</i>	
6. Decrease/(Increase) in Accounts Receivable	(362,997)
7. Decrease/(Increase) in Materials and Inventory	(25,762)
8. Decrease/(Increase) in Prepayments and Deferred Charges	(5,779)
9. Decrease/(Increase) in Other Current Assets	108,096
10. Increase/(Decrease) in Accounts Payable	140,116
11. Increase/(Decrease) in Advance Billings & Payments	(23,075)
12. Increase/(Decrease) in Other Current Liabilities	56,353
<b>13. Net Cash Provided/(Used) by Operations</b>	1,952,870
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
14. Decrease/(Increase) in Notes Receivable	0
15. Increase/(Decrease) in Notes Payable	0
16. Increase/(Decrease) in Customer Deposits	(450)
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)	5,270,543
18. Increase/(Decrease) in Other Liabilities & Deferred Credits	727,911
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital	(93,082)
20. Less: Payment of Dividends	0
21. Less: Patronage Capital Credits Retired	0
22. Other (Explain)	
<b>23. Net Cash Provided/(Used) by Financing Activities</b>	5,904,922
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
24. Net Capital Expenditures (Property, Plant & Equipment)	(7,604,765)
25. Other Long-Term Investments	(61,374)
26. Other Noncurrent Assets & Jurisdictional Differences	0
27. Other (Explain) Net/reclass from other activities	(166,093)
<b>28. Net Cash Provided/(Used) by Investing Activities</b>	(7,832,232)
<b>29. Net Increase/(Decrease) in Cash</b>	25,560
<b>30. Ending Cash</b>	1,276,016

Revision Date 2010

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INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2015
<b>NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	



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INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2015
<b>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	