

Canby Telcom

PROGRESS REPORT ON SERVICE QUALITY IMPROVEMENT PLAN

PREAMBLE

This document is an integral part of the Company's 2016 Annual Report, as attached to Form 481. It is in compliance with §54.313(a)(1) adopted in the FCC's USF/ICC Transformation Order (11-161) and incorporates all further clarifications identified in subsequent Reconsideration Orders, as applicable, that were in effect at the time the Annual Report was due by Rule, to the requisite regulatory authorities.

Canby Telcom ("CTA") advises that the environment in which the Company operates is dynamic, not static. As a result, certain network targets identified in its initial 5 Year Network Improvement Plan filed in 2014, may be modified in response to regulatory decisions that have been subsequently adopted, and as their implication upon the Company's financial viability in providing the required services and service level quality became known.

Modifications to the network plan may also have been taken due to changes in technology (vendor)-driven support, weather, or other emergency related contingencies.

Targets not met or changed since the initial 5 Year Plan filing are identified and reasons provided for those changes.

UNIVERSAL SERVICE SUPPORT RECEIVED IN 2015

Per the Universal Service Administrative Company (USAC), as available for the period up to this filing, CTA received a total of \$2,615,934 during 2015 in USF support funds. The breakdown of the funding to the point of filing is:

- \$0 High Cost Loop Support
- \$0 Local Switching Support
- \$826,860 Connect America Fund-Inter-carrier Compensation Support
- \$1,789,074 Interstate Common Line Support
- \$0 Safety Net Additive

Universal Service Support funds are used to: 1) maintain, upgrade, and improve the Company's network and, 2) cover operating expenses and debt commitments as necessary to permit it to offer a high level of service for both voice and broadband within the authorized serving area.

USF support will continue to be included in the Company's current revenue accounts and forward-looking projections. Revenues, in the aggregate, are used for both capital expenditures as well as to cover operating expenses and fixed costs incurred to obtain capital from lenders. The Company does not segregate USF separately for purposes of capital and

operating expenditures; USF is expended in the same proportion as its contribution is to the Company's aggregated revenue amount.

The proportionate share of USF expenditures in 2015 is \$617,513 (24%) for CAPEX and \$1,998,421 (76%) for OPEX.

In the accompanying 2015 project detail, expenditures for network improvements sometimes involve service quality, coverage and capacity as an integrated improvement project and are not mutually exclusive from one another. In terms of cost, projects involving multiple qualifiers are of equal dollar equivalence. Where a project involves a single qualifier, it is so noted.

PROGRESS REPORT

2015

Soft switch hardware lifecycle replacement such as blades and servers: Completed within budget.

Lifecycle replacement of legacy carrier systems with replacement to VoIP soft switch: Moved to 2016 due to competing projects, resources, and budgets.

BITS clock replacement: Project rescheduled. Removed old equipment which in turn relieved enough capacity for the next three years. Moved to 2018.

Replace AC Transfer Switch for network protection & to ensure ability to function in emergency situation: Project moved back to 2016.

FTTH Construction to replace defective copper plant: Original budget was \$370,000. Due to impaired copper plant that has affecting voice and broadband services we have increased the budget to \$1,124,253. We have 4 rural areas of impaired services (Please reference areas labeled **B** on map) due to end of life, wet, defective air core copper. To resolve this we will be replacing with fiber to the home and improving services to approximately 197 customers.

Update: All impaired plant jobs were successfully completed in 2015. A total of \$937,560 was spent on these rehab projects..

FTTH Construction (new housing construction): Original budget was \$330,000. Due to unforeseen growth in town we have 5 new housing developments and will need 2 distribution projects to support the magnitude of potential customers. Based on our obligation to provide voice services and caller of last resort we will be increasing our budget to \$1,089,320 so that we can build FTTH to 142 potential new homes within the city limit. (Please reference areas labeled **A** on map)

Update: 3 distribution projects were completed during 2015. Also FTTH was completed to 8 new neighborhoods. Total dollars spent on these projects was \$662,237.

Lifecycle replacement of core router: Due to competing projects, resources and budget we have moved this project to 2016.

Other Access Network Growth: This encompasses several small projects within our service boundary. These projects were completed during 2015. Examples are: new City library, Road moves and expansion of services to new businesses. A total of 205,692 was spent on these projects.

Fiber conversions (500 new addresses) Fiber to the Home Project: This encompasses homes that have fiber available but have not requested higher broadband services. As we are seeing extensive broadband adoption and requests for higher broadband services including 1 Gigabit, we are on track to complete all 500 conversions. During 2015 almost all of these conversions were completed. A total of \$846,004 was spent on the project.

Expansion of Redwood remote to prepare for FTTH build out: Due to competing projects, resources and budget we have moved this project to 2016.

DWDM expansion to increase core network bandwidth: This is a project to move from 1 Gigabit transport connections to 10 Gigabit transport connections. This is due to the increased adoption and exponential growth of broadband.

Update: Project was completed in 2015. Project was more extensive than originally budgeted for as a total of \$108,607 was spent on the project.