Stayton Cooperative Telephone Company
FIVE YEAR SERVICE QUALITY IMPROVEMENT PLAN

PREAMBLE

This 5 year improvement plan is a section of the Company's 2014 Annual Report. It is in compliance with § 54.313(a)(1) adopted in the FCC's USF/ICC Transformation Order (11-161). This document also incorporates further clarifications identified in subsequent Reconsideration Orders, as applicable, in effect prior to the filing of the Annual Report.

Stayton Cooperative Telephone Company (SCTC) has carefully developed its improvement plan, concentrating on the delivery and continuation of a robust network which provides, at a minimum, the federally required voice and broadband connectivity as stipulated by regulatory rule. In certain situations (and as noted herein), the plan may also incorporate specific state requirements.

SCTC advises that this improvement plan has been carefully crafted, matching measured network deployment, improvement and quality service levels with known financial implications of the Transformation Order upon the company's support cash-flows. The uncertainty of such cash flows being received in the outer-years as a result of current and potential regulatory action on rural rate-of-return carriers has resulted in the Company taking a balanced yet realistic approach.

The environment in which the Company operates remains dynamic, not static. As a result, SCTC reserves the opportunity to modify its plan in response to further regulatory decisions as they are adopted, and their implication upon the Company's financial viability in providing the required services and service level quality becomes known.

SCTC will re-evaluate this plan on an annual basis. Action, however, may also be taken abruptly on the presented plan for both current and outer years in the event of evolving regulatory conditions and/or changes in technology (vendor)-driven support. All adjustments to the improvement plan in this document will be reflected and explained in subsequent annual reports.

OVERVIEW

SCTC, as an Eligible Telecommunications Carrier (ETC) provides Universal Service supported services to approximately 4,000 customers in five exchanges covering approximately 106 square miles.

Consistent with Commission requirements, this Service Quality Improvement Plan addresses only SCTC's regulated eligible telecommunications carrier operations.[1] A detailed description of SCTC's plans for the provision of the supported services in the five-year period starting with January 2015 is provided herein.

[1]Per 47 C.F.R. § 54.314, federal USF support, "will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." If investments or expenses are for service areas larger than the supported service areas, then allocations of the expenditures are required.

Per the Universal Service Administrative Company (USAC), during the calendar year 2013, SCTC received a total of $3,059,622 (as of 6/1/14) in USF support funds. The breakdown of the funding for the year was:

- $1,378,440 High Cost Loop Support,
- $ -153,018 Local Switching Support
- $ 446,490 Connect America Fund-Intercarrier Compensation Support
- $1,387,710 Interstate Common Line Support
- $ 0 Safety Net Additive

All funds were used in 2013 to both: 1) maintain, upgrade, and improve the Company's network and, 2) cover its operating expenses and debt commitments as necessary to permit it to offer a high level of service for both voice and broadband throughout its service area.

IMPROVEMENT PLANS BY YEAR (2015-2019 inclusive)

Summary descriptions of network improvements planned for the next five years in accordance with Part 54.202(a)(1)(ii) and Part 54.313(a)(1) by year and by exchange are presented below. Where available, area and subscribers impacted by the improvements are identified.

- Network improvement expenditures identify the cost to provide those services supported by the universal service funding mechanisms. When a project involves expenditures for both regulated and non-regulated services, the non-regulated investment costs have been removed. The Company estimates non-regulated costs using the appropriate allocation rules. Details of those costs are retained by the Company and available for inspection.
- Costs are reported only for those service areas in which the Company is authorized to receive USF funding.

Due to the current uncertainty of the amounts of support funds the company may receive in future years, SCTC advises the Commission that the deployment of specific network improvement projects may be modified, and the meeting of projected service goals muted, to accommodate the actual amount of support that will be received.

SUMMARY DISCUSSION OF PLANS BY YEAR

2015

Anderson Road Project: For 2015, SCTC intends to use operating cash flow (this and all further references to "operating cash flow" includes the use of USF support funds) to deploy active Ethernet Fiber to the Home in the Anderson Road area of Sublimity Oregon.

The Anderson Road Project cost is estimated at $599,070. The project involves placement of approximately 2.1 miles conduit/micro-duct and 3.2 route miles of fiber to 50 subscribers currently served over copper. When complete, these 50 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 18 broadband subscribers with minimum broadband speeds of 1 MB upstream/8 MB downstream. SCTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home services.

Miscellaneous Outside Plant Construction: For 2015, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the in various areas of the Stayton, Oregon exchange.

SCTC expects to spend $100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2015 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Central Office Expenditures: For 2015, SCTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Stayton, Sublimity and Marion Central offices.

SCTC expects to spend $216,000 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, Remote DSLAM units, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers. The self-contained Remote DSLAM units are capable of providing both ASDSL2+ (at speeds up to 1 MB upstream and 20 MB downstream) and VDSL services (at speeds up to 50 MB upstream and 100 MB downstream) in the more remote areas where mainline fiber exists but fiber distribution plant does not. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

General Expenditures: In 2015 the Company expects to spend $84,000 to purchase 2 vehicles to replace aging vehicles in the company fleet, $50,000 for various test and work equipment and $20,000 for computer network and desktop hardware.

2016

Golf Club Road: For 2016, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the Golf Club Road area of Stayton Oregon.

The Golf Club Road Project cost is estimated at $714,200. The project involves placement of approximately 1.3 miles conduit/micro-duct and 3.4 route miles of fiber to 65 subscribers currently served over copper. When complete, these 65 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 18 broadband subscribers with minimum broadband speeds of 1 MB upstream/8 MB downstream. SCTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home services.

Miscellaneous Outside Plant Construction: For 2016, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the in various areas of the Stayton, Oregon exchange.

SCTC expects to spend $100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2016 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Central Office Expenditures: For 2016, SCTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Stayton, Sublimity and Marion Central offices.

SCTC expects to spend $223,500 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, Remote DSLAM units, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers. The self-contained Remote DSLAM units are capable of providing both ASDSL2+ (at speeds up to 1 MB upstream and 20 MB downstream) and VDSL services (at speeds up to 50 MB upstream and 100 MB downstream) in the more remote areas where mainline fiber exists, but fiber distribution plant does not. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

General Expenditures: In 2016 the Company expects to spend $84,000 to purchase 2 vehicles to replace aging vehicles in the company fleet, $50,000 for various test and work equipment and $20,000 for computer network and desktop hardware.

2017

Kingston/Lyons Road from Stayton/Scio Road to Sunset Road: For 2017, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the Kingston/Lyons Road from Stayton/Scio Road to Sunset Road area of Stayton Oregon.

The Kingston/Lyons Road from Stayton/Scio Road to Sunset Road Project cost is estimated at $754,950. The project involves placement of approximately 2.6 miles conduit/micro-duct and 3.2 route miles of fiber to 28 subscribers currently served over copper with minimum broadband speeds of 1 MB upstream/8 MB downstream. When complete, these 28 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 13 broadband subscribers. SCTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home services.

Miscellaneous Outside Plant Construction: For 2017, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the in various areas of the Stayton, Oregon exchange.

SCTC expects to spend $100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2017 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Central Office Expenditures: For 2017, SCTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Stayton, Sublimity and Marion Central offices.

SCTC expects to spend $205,000 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, Remote DSLAM units, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers. The self-contained Remote DSLAM units are capable of providing both ASDSL2+ (at speeds up to 1 MB upstream and 20 MB downstream) and VDSL services (at speeds up to 50 MB upstream and 100 MB downstream) in the more remote areas where mainline fiber exists, but fiber distribution plant does not. These potential customers currently have a minimum broadband speed of 1 MB upstream/8 MB downstream.

General Expenditures: In 2017 the Company expects to spend $50,000 for various test and work equipment and $20,000 for computer network and desktop hardware.

2018

Cole School Road: For 2018, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the Cole School Road area of Stayton Oregon.

The Cole School Road Project cost is estimated at $897,330. The project involves placement of approximately 2.9 miles conduit/micro-duct and 5 route miles of fiber to 32 subscribers currently served over copper. When complete, these 32 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 18 broadband subscribers with minimum broadband speeds of 1 MB upstream/8 MB downstream. SCTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home services.

Miscellaneous Outside Plant Construction: For 2018, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the in various areas of the Stayton, Oregon exchange.

SCTC expects to spend $100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2018 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Central Office Expenditures: For 2018, SCTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Stayton, Sublimity and Marion Central offices.

SCTC expects to spend $207,000 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, Remote DSLAM units, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers. The self-contained Remote DSLAM units are capable of providing both ASDSL2+ (at speeds up to 1 MB upstream and 20 MB downstream) and VDSL services (at speeds up to 50 MB upstream and 100 MB downstream) in the more remote areas where mainline fiber exists, but fiber distribution plant does not. These potential customers currently have a minimum broadband speed of 1 MB upstream/8 MB downstream.

General Expenditures: In 2018 the Company expects to spend $50,000 for various test and work equipment and $20,000 for computer network and desktop hardware.

2019

Fern Ridge Road to Eastern Boundary: For 2019, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the Fern Ridge Road to Eastern Boundary area of Stayton Oregon.

The Fern Ridge Road to Eastern Boundary Project cost is estimated at $650,130. The project involves placement of approximately 3 miles conduit/micro-duct and 10 route miles of fiber to 24 subscribers currently served over copper. When complete, these 24 subscribers will have the option to subscribe to broadband services of up to 50 MB upstream and 100 MB downstream speeds. The area currently has 14 broadband subscribers with minimum broadband speeds of 1

MB upstream/8 MB downstream. SCTC expects an increase in broadband services as a result of this project based on past experience with copper customers upgraded to Fiber to the Home services.

Miscellaneous Outside Plant Construction: For 2019, SCTC intends to use operating cash flow to deploy active Ethernet Fiber to the Home in the in various areas of the Stayton, Oregon exchange.

SCTC expects to spend $100,000 in miscellaneous construction costs to meet customer demand on an as requested basis during 2019 in areas where fiber facilities do not currently exist, yet customers have requested higher speed services. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

Central Office Expenditures: For 2019, SCTC intends to use operating cash flow to purchase and install a variety of central office equipment to provide dial tone and broadband services in the Stayton, Sublimity and Marion Central offices.

SCTC expects to spend $203,000 to purchase and install SIP voice ports, Fiber Optical Line Termination blades, Remote DSLAM units, VDSL blades and Optical Network Termination units to provide services to existing and new construction area customers. The self-contained Remote DSLAM units are capable of providing both ASDSL2+ (at speeds up to 1 MB upstream and 20 MB downstream) and VDSL services (at speeds up to 50 MB upstream and 100 MB downstream) in the more remote areas where mainline fiber exists, but fiber distribution plant does not. These potential customers currently have minimum broadband speeds of 1 MB upstream/8 MB downstream.

General Expenditures: In 2019 the Company expects to spend $50,000 for various test and work equipment and $20,000 for computer network and desktop hardware.

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