

Board of Directors
Foothills Rural Telephone Cooperative Corporation

- Seek approval of the sale, lease, or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;
- Maintain adequate control over material and supplies;
- Prepare accurate and timely Financial and Operating Reports;
- Obtain written approval of the RUS to enter into any contract, agreement, or lease with an affiliate as defined in Part 1773 (e)(2)(i);
- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles, and;
- Comply with the requirements for the detailed schedule of investments, which are listed below.

Foothills Telephone formed a wholly-owned subsidiary, Cellular Services, LLC, which communications and video service and also is a one-fifth (1/5) owner of a limited liability company that provides cellular and other communications services. The initial investment was \$820,000. The investment is comprised of the following:

	<u>Investment</u>	<u>Profits (less Dividends)</u>
Balance, beginning of year	\$8,257,826	\$21,378,340
Activity for 2016	-	4,435,534
Balance, end of year	<u>\$8,257,826</u>	<u>\$25,813,874</u>

This report is intended solely for the information and use of the board of directors, management, RUS, and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distributions is not limited.

Alan Zumstein

Alan M. Zumstein, CPA
March 3, 2017