

SETTLEMENT AGREEMENT

The Safety and Enforcement Division of the California Public Utilities Commission (SED), and Toly Digital, Inc. and its predecessors, successors, affiliates, and assigns (“Toly” or “Applicant”) hereby agree to the following terms of a settlement (“Settlement”) resolving all issue raised by SED’s Protest of Toly’s Application for Registration as an Interexchange Carrier Telephone Corporation Pursuant to the Provisions of Public Utilities Code Section 1013, A.15-01-006 (“Application”). SED and Toly enter into this Settlement in order to avoid the costs and risks of further litigation and to expeditiously resolve this matter.

I. JOINT FACTUAL STATEMENT

1. Toly is a corporation operating and existing under the laws of the State of Florida, with an active registration with that State since October 22, 1995. Toly seeks authority to operate as a switchless reseller statewide in California.

2. On March 31, 2014, Toly entered into an agreement with Cal Ore Telephone Company (“Cal-Ore”) in California. Cal-Ore is a rural Incumbent Local Exchange Carrier (“ILEC”) with limited switching or transmission facilities of its own. In order for Cal-Ore to complete certain long distance calls for its customers, Cal-Ore must route those calls to Toly. Cal-Ore bills its customers for the call and collects the charges from its customer. Cal-Ore then pays Toly pursuant to the agreement. Cal-Ore’s customers have no relationship with Toly.

3. On or about June of 2014, pursuant to the contract between Toly and Cal-Ore, the latter programmed its switch to begin directing certain calls originated in California to Toly for termination.

7. Toly filed A.15-01-006 on January 7, 2015, an application for a Registration License as an interexchange carrier in California pursuant to Section 1013 of the Public Utilities Code.

8. After reviewing Toly's Application, SED protested the Application on February 13, 2015. SED's Protest alleged that Toly violated (1) California Public Utilities Code Sections 1001 and 1013 by operating in California without authority from July 1, 2014 to the present, and (2) Rule 1.1 of the Commission's Rules of Practice and Procedure by failing to disclose the existence of another adverse regulatory action in its Application.

II. AGREEMENT

1. Acknowledgements. Toly acknowledges that it mistakenly believed that a Consent Decree ("Consent Decree") regarding its 2011 Registration Application with Federal Communications Commission ("FCC") was not reportable pursuant to Question 8 and 9 of the Commission's Registration form. Toly further acknowledges that, while its intent was not to conceal from the Commission some disqualifying or harmful aspect of Toly's business history, it failed to disclose information in its Registration Application pertaining to the Consent Decree; that the Consent Decree terminated an investigation against Toly for an apparent failure to timely submit a compliance certificate for the year 2007 pursuant to FCC regulations (47 C.F.R. § 64.2009(e)); and that as part of the terms of the Consent Decree, Toly made a "voluntary contribution" to the United States Treasury of \$5,000. Toly states that it will fully meet its regulatory and legal obligations and its responsibilities to its customers and members of the public in California in the future.

The parties also acknowledge the existence of a dispute regarding whether Toly operated without authority from the period of July 1, 2014 to the present. Toly maintains that it did not

operate without authority during this time because, according to Toly, (1) it did not satisfy the requisite “dedication requirement” as stated in certain California case law for status as a public utility, and (2) absent status as a public utility, Toly would not be required to obtain Commission authority before providing service in California. In contrast, SED maintains that Toly did meet the definition of a public utility during the time period of July 1, 2014 to the present, and thus was required to obtain Commission authority prior to operating. The parties have agreed that it is unnecessary to resolve this dispute, as Toly has applied for Commission authority to operate and, with the adoption of this settlement, SED withdraws its Protest such that no party opposes Toly’s request for authority.

2. Penalty Payment. In order to resolve the legal issues raised by SED in its Protest, Toly will pay a penalty of \$6,000 to the State of California General Fund, contingent on the Commission’s approval of the Application. The \$6,000 penalty will be paid according to the following schedule: a) Toly will remit \$2,000 to the State of California General Fund within 30 calendar days of the date of the Commission’s approval of this Agreement; and b) Toly will remit four payments of \$1,000 each to the State of California, General Fund every 60 days thereafter until the \$6,000 is paid in full.

All penalty payments shall be made payable to the California Public Utilities Commission and remitted to the Commission’s Fiscal Office, 505 Van Ness Avenue, Room 3000, San Francisco, CA 94102. The payment shall indicate the decision number of the Commission decision approving the settlement. Toly shall be deemed in default if any of the payments pursuant to this Paragraph is not made within five days following the due date. Should Toly default on any of its fine payments, SED may seek Commission revocation of Toly’s Certificate of Public Convenience and Necessity.

3. Responsibility for Fees and Surcharges. The parties acknowledge that SED examined the issue of whether Toly would have been required to pay any user fees and/or surcharges during the time period of July 1, 2014 to the date of this settlement. SED consulted with Communications Division and found that, because Toly was reselling services to Cal-Ore at wholesale rates during the time period at issue, it would appear that Toly would not be responsible or obligated to collect and remit surcharges during the time period of July 1, 2014 to the date of this settlement. Toly would, however, still have to file the surcharge report even though their intrastate revenue for owed surcharges is zero. Thus, this settlement does not include the payment of any past due surcharges.

The parties also acknowledge that Toly will be held responsible for user fees due during the time period of July 1, 2014 to December 31, 2014. The Parties acknowledge that user fees are paid annually to the Commission and are based on the Commission-established rate in effect at the time. Currently, and during the time period at issue, the annual user fee was and is set at 0.18% of gross intrastate revenue, or a minimum of \$100, whichever is greater. 0.18% of Toly's gross intrastate revenue for 2014 equates to less than \$100. Thus, Toly must pay a user fee of \$100 for 2014, plus a 25% interest fee pursuant to Public Utilities Code Section 405, for a total of \$125 dollars. Toly's user fee for 2015 will be assessed at the end of calendar year 2015 and paid in January, 2016. The user fee, with interest, of \$125 for 2014 will be paid within 30 calendar days from the date of the Commission's approval of this agreement. Payment shall be made payable to the California Public Utilities Commission and remitted to the Commission's Fiscal Office, 505 Van Ness Avenue, Room 3000, San Francisco, CA 94102. The payment shall indicate that it is for Toly's 2014 user fee with interest, and include the decision number of the Commission decision approving the settlement.

IV. GENERAL PROVISIONS

1. Scope and Effect of Agreement. This Agreement represents a full and final resolution of SED's Protest, and the matters giving rise thereto. The parties understand that this Settlement Agreement is subject to approval by the Commission. As soon as practicable after the Parties have signed the Settlement Agreement, a Motion for Commission Approval and Adoption of the Settlement Agreement will be filed. The Parties agree to support the Settlement Agreement, recommend that the Commission approve it in its entirety without change and use their best efforts to secure Commission approval of the Settlement Agreement in its entirety without modification. The Parties agree that, if the Commission fails to adopt the Settlement Agreement in its entirety without material change, the Parties shall convene a settlement conference within 15 days thereof to discuss whether they can resolve any issues raised by the Commission's actions. If the Parties cannot mutually agree to resolve the issues raised by the Commission's actions, the Settlement Agreement shall be rescinded and the Parties shall be released from their obligation to support this Settlement Agreement. Thereafter, the Parties may pursue any action they deem appropriate, but agree to cooperate to establish a procedural schedule for the remainder of the proceeding.

2. Successors. This Agreement and all covenants set forth herein shall be binding upon and shall inure to the benefit of the respective Parties hereto, their successors, heirs, assigns, partners, representatives, executors, administrators, subsidiary companies, divisions, units, agents, attorneys, officers, and directors.

3. Knowing and Voluntary Execution. The Parties acknowledge each has read this Agreement, that each fully understands the rights, duties and privileges created hereunder, and that each enters this Agreement freely and voluntarily.

4. Authority to Execute Agreement. The undersigned acknowledge and covenant that they have been duly authorized to execute this Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency or employment.

5. Entire Agreement. The Parties expressly acknowledge that the consideration recited in this Agreement is the sole and only consideration of this Agreement, and that no representations, promises, or inducements have been made by the Parties or any director, officer, employee, or agent thereof other than as set forth expressly in this Agreement.

6. Choice of Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California and the rules, regulations and General Orders of the California Public Utilities Commission.

7. Execution in Counterparts. This Agreement may be executed by any of the Parties in counterparts with the same effect as if all Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement. A signature transmitted by facsimile shall be regarded as an original signature.

8. Enforcement. Each material breach of this Settlement will constitute a separate violation and will entitle the Commission to take any necessary action to enforce its orders.

9. Binding Nature of Agreement. The Commission adoption of this Settlement is binding on all Parties to this action. Parties agree that pursuant to Rule 12.5 of the Commission's Rules of Practice and Procedure, this Settlement shall not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.

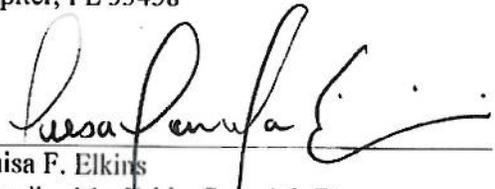
TOLY DIGITAL NETWORKS, INC.

Dated: 7/10/15



Mark Suto
Vice President
1005 W. Indiantown Road, Suite 201
Jupiter, FL 33458

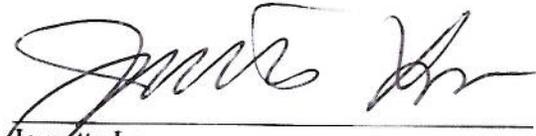
Dated: 7/13/15



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SAFETY AND ENFORCEMENT
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Dated: 7-13-15



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