

UNDERSTANDING ADDITIONAL CHARGES ON YOUR BILL

The charges described below are applied to various telecommunications services subscribed to by LS Networks' Customers. For a detailed list of applicable charges for your specific services, please contact LS Networks Customer Support at: CustomerService@LSNetworks.net or 844.987.1147 to speak with a representative.

LS Networks' rates and charges for services are exclusive of the following taxes, fees and surcharges. Generally, taxes, fees, surcharges and service charges include but are not limited to:

- Applicable federal, state, local and foreign sales, use, excise, utility, gross receipts and value added taxes.
- Tax-like governmental fees that LS Networks is required or permitted to collect and remit in support of statutory or regulatory funds or programs.
- All other governmental fees that are imposed or operate like taxes, but are not directly referred to as taxes.
- A surcharge to recover a tax or fee imposed in a jurisdiction which levies or asserts a claim of right to levy:
 - A gross receipts tax, license tax, or other tax-like charge on LS Networks' gross receipts, revenues or operations; and
 - A tax on interstate access charges incurred by LS Networks for access to telephone exchanges based on the amount paid for interstate access charges; and
 - Franchise Fees which allow the company to recover local government franchise fees and right of way costs incurred for the use of the public right of way.
- A Regulatory Cost Recovery Fee to recover a portion of the costs and expenses incurred by LS Networks to implement, administer, and comply with local, state, and federal laws, regulations, and programs.

LS Networks conducts internal reviews of its customer billing practices and is periodically subject to review and audit by various tax and regulatory authorities. These audits and reviews are specifically designed to assess the reasonableness of LS Networks assessed taxes, fees, and surcharges. In the event a review or audit identifies any variance between a rule or regulation and LS Networks' practices, LS Networks amends its practices to achieve full compliance.

Federal Universal Service Fund

The Federal Universal Service Fund (FUSF) surcharge is billed at the FUSF rate established by the FCC. The rate changes from time to time, generally on a quarterly basis. It is a regulatory charge, not a tax. The FUSF surcharge applies to telecommunications services subject to direct regulation by the FCC as well as to interconnected VoIP services. A Customer will not be required to pay the FUSF if it demonstrates to LS Networks' reasonable satisfaction that it is acquiring LS Networks' services for resale (i.e not for its own internal use) and is contributing directly into the government's Universal Service funding programs. *Customers may submit proof of exemption by following the "Submit FUSF Exemption Certificate" link found on the Customer Support page of LS Networks' website.*

FUSF charges are: (i) calculated after the application of promotional and other discounts; (ii) not eligible to receive promotional or any other discounts; (iii) not included to determine satisfaction of volume or minimum purchase requirements; (iv) calculated based upon the rates and charges applicable to the Customer's total interstate service, unless otherwise specified; (v) apply to tax-like and/or tax-related surcharges and; (vi) not applicable to calls using Telecommunications Relay Services.

FUSF is an FCC program designed to insure affordable access to telecommunications services to low-income customers, rural areas, schools, libraries, and rural healthcare facilities. The FUSF was established by Congress to promote and encourage telecommunications infrastructure and service availability nationwide.

Taxes are generally assessed on the FUSF surcharge. It is important to understand that the FUSF surcharge is not a tax. It is a regulatory fee that the FCC imposes on telecommunications carriers on the voice and data revenues they collect. The FCC allows carriers to recover the cost of the surcharge from its end-use customers. Thus, the FUSF surcharge is not considered a tax and must be taxed as normal revenues.

Federal, State and Local Taxes, Fees and Surcharges

The following is a list of the various federal, state and local taxes, fees and surcharges LS Networks bills to its customers in addition to FUSF. Most of these charges are imposed directly on the customer and are collected and remitted by LS Networks as an agent for the taxing authority.

FEDERAL EXCISE TAX: A required federal tax on some type of voice services.

STATE, COUNTY, AND CITY SALES TAXES: Local taxes imposed on communications services.

STATE AND LOCAL TELECOMMUNICATIONS TAXES AND PUBLIC UTILITY COMMISSIONS FEES: Charges imposed by local public utilities commissions to support operational costs of operating the public utilities commission.

E911 FEES: Funds state and locality 911 systems along with other emergency services.

STATE UNIVERSAL SERVICE FUND SURCHARGES: State level Universal Service Funds designed to ensure affordable telecommunications service for all Customers in a state, especially residents in high-cost rural areas and low-income Customers.

STATE AND LOCAL RIGHT OF WAY FEES/FRANCHISE FEES: Fees are paid to local governments as compensations for LS Networks' use of public rights of way to bring services to its Customers. The Telecommunications Act of 1996 permits telecommunications operators to recover the regulatory fees from telecommunications subscribers in 12 monthly installments. These fees are not covered by existing exemption policies.

OREGON RURAL SERVICE PROTECTION FUND (OR RSPF SURCHARGE): Funds Oregon program ensuring adequate and affordable telephone services and provides funding for the Oregon Telephone Assistance Program, Telecommunications Devices Access Program and Oregon Telecommunications Relay Service program.

In some situations, certain customers may be exempt from certain taxes and governmental surcharges. This is usually in the case of customers reselling the services they purchase or customers who are exempt charitable, government or religious organizations. LS Networks does not determine a customer's tax-exempt status. *Customers may submit proof of exemption by following the "Submit FUSF Exemption Certificate" link found on the Customer Support page of LS Networks' website.*

It is the customer's responsibility to advise LS Networks of its tax-exempt status. LS Networks will bill taxes and surcharges until proper notice of exempt status and properly executed exemption documentation is provided.

Regulatory Cost Recovery Fee

The Regulatory Cost Recovery Fee is assessed as a percentage-based of each customer's monthly invoice and other usage charges. LS Networks is required to remit payments, submit detailed service reports, and participate in auditing activity with various local, state, and federal departments and agencies. This fee recovers a reasonable estimate of the costs incurred by LS Networks to implement, administer, and comply with local, state, and federal rules, regulations, and programs. This fee includes but is not limited to: compliance with Ray Baum's Act, Kari's Law, reporting and filing of USAC service detail and FUSF contribution, filing and compliance with local, state and federal permitting programs, participation and reporting to the FCC Broadband Mapping Program and associated form filings. This fee is not a tax or government charge but recovers a portion of the costs LS Networks incurs for expenses in administering and complying with local, state, and federal programs, rules and regulations. This Fee is variable based on the state in which services are delivered, as is determined by the respective cost of compliance in each state.

Customers are not required to pay this Fee if they demonstrate to LS Networks' reasonable satisfaction that they meet the requirements to be exempt from State or Federal USF surcharges. FUSF and other taxes, fees and surcharges may apply to this fee.

Customers may submit proof of exemption by following the "Submit FUSF Exemption Certificate" link found on the Customer Support page of LS Networks' website.

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