



## **Taxes and Surcharges**

The rates and charges for services provided by Stratus Networks, Inc. (Stratus) are exclusive of the charges described below. These charges do not count toward the attainment of any volume or revenue commitment and will not be discounted or credited in any way.

Below are descriptions of most of the charges that could appear on any invoice. These charges may or may not apply depending on the type of service you subscribe to. There may be also be other charges on your invoice that are not described below. Any questions should be directed to [questions@stratusnet.com](mailto:questions@stratusnet.com).

In general, charges appearing on invoices under “Taxes and Surcharges” represent: (1) taxes imposed by governmental or quasi-governmental agencies that Stratus is required to collect on its services; (2) fees imposed by governmental or quasi-governmental agencies that Stratus may or may not be required to pass through to customers; and/or (3) industry standard cost recovery surcharges.

### **Federal Universal Service Fund**

The Federal Universal Service Fund (FUSF) surcharge is identified as the “Federal Universal Service” charge on your Stratus bill. It is a monthly, percentage-based surcharge established by the Federal Communications Commission (FCC) and assessed on customers’ interstate and international service. This fund supports telecommunications and information services in schools, public libraries and rural health care facilities; and subsidizes local service for consumers with low incomes and who live in areas where the costs of providing telephone service is high. The percentage of the surcharge changes each quarter. The applicable rate can be found at <http://www.fcc.gov/omd/contribution-factor.html/>

### **State Universal Service Fund**

Similar to the FUSF, a number of states have enacted their own universal service fund on a state level. Funding helps pay for services to low income customers, customers with communication disabilities, and customers who reside in rural areas served by small or rural telecom providers where costs of providing telephone service is high. The contribution factor varies by state.

### **Long Distance Access Charge**

The Long Distance Access Charge is a monthly charge the company assesses to recover costs imposed by the Local Exchange Carriers furnishing access services for use with the company’s interexchange service.

### **Franchise Fee**

The municipal franchise fee is also often referred to as a “right-of-way” fee. It is a monthly charge imposed by local jurisdictions and paid by the customer to help recover the costs associated with

providing telephone service, to include installation of underground conduit, outside telephone wires, and telephone poles. This fee varies by location and is often based upon an agreement between the local jurisdiction and Stratus or upon local or state law.

#### Federal Excise Tax

The Federal Excise tax is imposed by the IRS and applied as percentage of standalone local telephone service and related features.

#### E911 Emergency System

This surcharge is imposed by local jurisdictions to fund the 911 Emergency Systems.

#### P.U.C. Tax

The Public Utility Commission (PUC) tax is a charge imposed by state telecommunications regulatory agencies on users of regulated services, which is used to finance operational costs of the state regulatory agency.

#### Sales Tax

Sales tax is a tax imposed by nearly all states, counties, cities and districts, on the sale of various goods and services for use or consumption. The applicability of the tax, as well as the rates, varies by each jurisdiction's constitutional provisions, and some services may be exempt from state and local sales taxes pursuant to federal law.

#### Access Recovery Charge

The Access Recovery Charge (ARC) is calculated as a percentage of total monthly recurring charges, and implemented to recover a portion of the access charges imposed by local exchange carriers (LECs).

#### Federal Regulatory Fee

This is a monthly charge assessed on interstate and international charges that allows the company to recover costs imposed by the Federal Government for Telecommunications Relay Services for the hearing-impaired and national number administration.

#### Property Tax Recovery Charge

This is a charge that allows Stratus to in part recover a portion of the property tax assessments and related fees it pays to state and local jurisdictional taxing authorities based on impositions to exchange carriers and related charges incurred by Stratus and Stratus's underlying carriers. The charge is equal to 2.35% of the net charges for all Services and applicable surcharges.

#### Gross Receipts Tax

The Statutory Gross Receipts Tax is a tax on the privilege of doing business in the state measured by gross receipts received from business done in the state. This tax is typically imposed on the telecommunication provider; however, some states allow the provider to pass on the tax to the consumer.

#### Administrative Cost Recovery Fee

This is a fee that allows Stratus to recover the costs associated with the collection, processing and payment of any tax, fee or surcharge imposed upon Stratus or that Stratus must and/or does collect on customer invoices which it must then remit to the applicable tax jurisdiction or regulatory body. This includes Stratus' internal costs associated with compliance with any regulatory agency.

#### Cost Recovery Fee

This is a fee that allows Stratus to recover regulatory fees and expenses incurred by Stratus, such as FCC regulatory fees to fund various federally mandated programs, (PUC) fees, various state business licenses, and various state annual regulatory fees not otherwise provided in other line items or surcharges.

#### Carrier Administration Fee

This is a fee applied to defray costs incurred from local telephone companies, for call delivery to their end users, as well as fees and assessments on network facilities and services, and any related charges incurred by Stratus and its underlying carriers.

#### Federal Administration Expense

This is a monthly charge to recover a portion of costs and expenses incurred by Stratus, and any related charges incurred by Stratus's underlying carriers, to implement, administer and comply with the Federal Universal Service Fund.

#### Federal Subscriber Line Charge

The Federal Subscriber Line Charge is a charge to recover the fee's charged to Stratus for building, maintaining and connecting telephone lines to the Public Switched Telephone Network. The charge is \$6.50 per single line and \$9.20 per multi (PRI's are billed at 5 lines/trunks) will be applied to the invoice and will be subject to taxes

#### Federal Access Recovery Fee

The Federal Access Recovery Fee (FARF) is a charge designed to recover, in part, Stratus' costs of purchasing local access service from LECs, which include regulatory fees that LECs assess on or pass through to Stratus.

#### Universal Cost Recovery

Designed to recover access-related costs and municipality costs that cannot be recovered in a traditional line-item, per circuit/per service basis including increases due to FCC or other governmental or regulatory actions or judicial determinations made in connection with incumbent local exchange carrier charges for such circuits.

#### Carrier Recovery Surcharge

Stratus will charge a 6.5% fee in conjunction with various governmental taxes and surcharges, levies and administrative costs that Stratus incurs in procuring service for customers. This fee is designed, in part, to simplify the charges appearing on an invoice. This is a blended fee that will not be itemized. Stratus has designed the fee to be reasonable and believes it is lower than many in the industry. The Fee appears in the taxes and surcharges section of customer invoices and applies to all services. The fee is consistent with Stratus' customer agreements and is standard in

the industry. The fee is not a tax, so it is therefore not subject to tax exemption. Some of the charges that are included in the blended fee are as follows:

- Cost Recovery Fee
- Carrier Administration Fee
- Federal Administration Expense
- Franchise Cost Recovery
- FARF
- Administrative Cost Recovery Fee
- Universal Cost Recovery

**TAX EXEMPTIONS/DISCLAIMER/RESERVATION OF RIGHTS:** Many of the fees and surcharges listed above are NOT taxes and therefore are not subject to nor eligible for tax exemption. To the extent a customer provides Stratus a duly authorized tax exemption certificate, Stratus will exempt such customer as of the date the certificate is received. No retroactive exemption or refund will be allowed. Customers qualifying for tax exemption will be required to show collection and remittance of such taxes to Stratus as required by Stratus in its sole discretion. If Stratus collects a tax and such tax or the collection thereof is found to be invalid or unenforceable, and solely if Status retained such amount or such amounts were returned to Stratus by the taxing jurisdiction, in its sole discretion Stratus may reduce future rates in order to offset such amounts collected, may grant credits on future invoices or may refund such amounts. If such amounts are retained by the taxing jurisdiction Stratus may, but is under no obligation to, use commercially reasonable efforts to obtain a resolution to customers in that jurisdiction. Stratus reserves the right to collect taxes retroactively in its sole discretion. Stratus reserves the right to review and update this document periodically and customer is bound by the then current document at all times, not the document active at the effective time of its contract with Stratus. Any disputes related to the taxes, fees and/or surcharges set forth above or anything contained in this document are specifically subject to the arbitration provisions contained in the terms and conditions of any applicable Stratus service agreement.