



## Explanation of Surcharges, Fees and Taxes

The following explanations describe the most common Surcharges, Fees and Taxes that apply to Saddleback Services:

### **Subscriber Line Charges (SLC)**

The Subscriber Line Charge is a flat fee paid to local telephone companies to connect to the telephone network and helps to recover some of the costs involved in connecting homes and businesses.

### **Access Recovery Charges (ARC)**

Access Recovery Charges allow Incumbent Local Exchange Carriers (ILEC) like Saddleback Communications to recover a portion of the revenues lost through FCC required reductions to access rates.

### **Federal Universal Service Fund (FUSF)**

Interstate telecommunications service providers are required to contribute to the Federal Universal Service Fund which helps to subsidize telecommunications services in rural and high-cost areas, services for low-income consumers, and services for schools, libraries and health care centers.

### **State Universal Service Fund (SUSF)**

In some states, intrastate telecommunications providers are required to contribute to the State Universal Service Fund which helps to subsidize state programs related to telecommunications in rural and high-cost areas, services for low-income consumers, and services for schools, libraries and health care centers.

### **Regulatory Compliance and Administration (RCA)**

The Regulatory Compliance and Administration fee is a charge that Saddleback Communications charges in order to recover various regulatory, legal, and compliance-related expenses that it incurs in connection with:

- Compliance with federal, state and local legal, regulatory and other requirements;
- Charges associated with filing and maintenance of trademarks and other proprietary rights;
- Fees Saddleback is required to pay to support the Telecommunications Relay Services (TRS) Fund, which supports facilities and services used to provide telecommunications services for individuals with hearing or speech disabilities.

The RCA is not a tax and is not mandated by any level of government agency.

**Federal Taxes**

Federal telephone excise tax is a statutory tax imposed on local telecommunications services.

**Community and Local Taxes**

Community and local taxes are sales and telecommunications related taxes imposed by county and municipal taxing authorities.