

*Erickson & Brooks*  
 CERTIFIED PUBLIC ACCOUNTANTS

STEVEN E. PRIBNOW  
 DANIEL J. WIESEN  
 KENT P. SPEICHER

2195 NORTH BROAD STREET  
 P.O. BOX 1270  
 FREMONT, NEBRASKA 68026-1270

(402) 721-3454  
 FAX (402) 721-2894  
 eb-cpa.com

INDEPENDENT AUDITORS' REPORT

Board of Directors  
 Bush-Tell, Inc.  
 Aniak, Alaska

We have audited the accompanying financial statements of Bush-Tell, Inc. (an Alaska corporation), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bush-Tell, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Erickson & Brooks*

**Other Reports**

in accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2013, on our consideration of Bush-Tell, Inc.'s internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

ERICKSON & BROOKS

*Erickson & Brooks*

Fremont, Nebraska  
February 14, 2013

**54.313(g) Areas with no terrestrial backhaul**

Bush-Tell, Inc. serves a total of 10 non-contiguous, remote Alaska communities that are not connected by roads. Some of the Bush-Tell communities are served by interexchange carrier terrestrial middle mile facilities and some are dependent on satellite middle mile. For 2013 Bush-Tell is working on deploying DSL broadband service for the terrestrial middle mile communities of Aniak, Anvik, Grayling, Holy Cross, Kalskag, and Shageluk, with Aniak being the first community to be turned up for service. The exact timing of broadband being offered is dependent on the installation of equipment necessary to deploy broadband and the provisioning of the service to customers. Bush-Tell's lowest tier plan will provide broadband at a 512 Kbps download/128 Kbps upload speed, and the highest speed plan would provide 6 mbps download/2 mbps upload speed.

Bush-Tell's remaining communities of Crooked Creek, Red Devil, Sleetmute and Stony River have only satellite transport capacity available. At present, the monthly cost of a T1 of satellite transport is \$14,447 per month and would result in broadband service being priced at a cost of hundreds of dollars per subscriber per month, which is clearly unaffordable to consumers. Bush-Tell has not received any requests for broadband service in these communities to date so is currently not offering broadband service in these communities. Per the 3<sup>RD</sup> Order on Reconsideration the Federal Communications Commission has acknowledged this issue at Paragraph 46:

46. We appreciate the concerns raised by the Alaska Rural Coalition and ACS that it may not be cost-effective to serve certain customers due to the high cost of backhaul. Rather than granting a blanket exemption of the broadband obligations established for rate-of-return companies in the *USF/ICC Transformation Order*, we clarify, as the Alaska Rural Coalition requests, that our current rules provide sufficient flexibility to take into account any unique circumstances that may impact the ability of rate-of-return companies to extend broadband to their customers, including backhaul costs. As the Coalition notes, rate-of-return carriers are required to provide service meeting the specified characteristics on *reasonable* request, which, the Commission explained in the *Order*, was an obligation similar to the voice deployment obligation many of those carriers were already subject to.<sup>117</sup> This obligation, enforced in the first instance by the relevant ETC-designating authority (generally the state), permits these entities to take into account backhaul costs or other unique circumstances that may make it cost-prohibitive to extend service to particular customers, in Alaska or any other area. We intend to carefully monitor developments in this regard and will consider making further clarifications or revisions if necessary.

Bush-Tell, Inc.:	Bush-Tell, Inc.
Study Area Code	613004
Supplemental Data for:	Line 510-Service Quality Standards and Consumer Protection Rules Compliance

---

Bush-Tell, Inc. will make reasonable efforts to comply with applicable service quality standards as stated in Alaska Administrative Code 3 AAC 53.700 State Telecommunications Modernization Plan and consumer protection rules as defined in 47 C.F.R. Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft.

Bush-Tell, Inc. adheres to Consumer Protection by complying with the requirements of 47 CFR Part 64 Subpart U, Customer Proprietary Network Information and the Federal Trade Commission Red Flag rules to prevent identity theft. A manual for each of those programs is in place and is part of the employees' handbook. Employee training is conducted annually and new hires are instructed on the programs as required by their job functions.

Bush-Tell, Inc. also adheres to Service Quality Standards by complying with the service standards of the State of Alaska as promulgated in the Alaska Administrative Code 3 AAC 53.700 State Telecommunications Modernization Plan.

**RATES AND RATE STABILITY**

New customers are provided rate information at the time they order service. The rate information is prepared based on tariffs which are on file with the state public utility commission and available for inspection at our office. In addition rates are available on Bush-Tell, Inc. website. Notices of rate changes proposed by Bush-Tell, Inc. are communicated to the customers through a bill notice or other comparable means. Bush-Tell, Inc. complies with all state and federal rules applicable to rate changes.

**PROVIDE SPECIFIC DISCLOSURES IN ADVERTISING**

In advertising of prices for service plans Bush-Tell, Inc. will disclose material charges and conditions related to the advertised prices and services. This notice will provide the potential customer with, including if applicable and to the extent the advertising medium reasonably allows: (1) whether nonrecurring installation charges would apply; (2) the monthly fee associated with the service; (3) whether any additional taxes, fees or surcharges apply; (3) the terms and conditions related to receiving a product or service for "free;" and (4) whether prices or benefits apply only for a limited time or promotional period and, if so, whether any different fees or charges will apply for the remainder of the contract term.

**TRUTH-IN-BILLING**

Bush-Tell, Inc. has long maintained compliance with the FCC's Truth-in-Billing rules as set forth in 47 CFR 64.2401. In part, this requires Bush-Tell, Inc.'s telephone bill must: (1) be accompanied by a brief, clear, non-misleading plain language description of the service or services rendered; (2) identify the service provider associated with each charge; (3) clearly and conspicuously identify any change in service provider; (4) contain full and non-misleading

descriptions of charges; (5) identify those charges for which failure to pay will not result in disconnection of the customer's basic local service; and (6) provide a toll free number for customers to call in order to lodge a complaint or obtain information. Customers' bills will distinguish (1) monthly charges for service and features, and other charges collected and retained by the carrier, from (2) taxes, fees and other charges collected by the carrier and remitted to federal state or local governments. Bush-Tell, Inc. will not label cost recovery fees or charges as taxes.

#### **READYPROVIDE READY ACCESS TO CUSTOMER SERVICE**

Customers and potential customers may access customer service by visiting Bush-Tell, Inc.'s office or by using a toll-free telephone number during normal business hours. Customer service contact information is available at our business office with regular hours posted on the storefront. In addition, this information is available online and on the monthly invoice rendered by Bush-Tell, Inc.

#### **ABIDE BY POLICIES FOR PROTECTION OF CUSTOMER PRIVACY**

Bush-Tell, Inc. complies with all state and federal rules regarding the privacy of customer information. Certification of this compliance is provided annually to the FCC.

#### **RESPONSE TO CONSUMER INQUIRIES AND COMPLAINTS RECEIVED FROM GOVERNMENT AGENCIES**

Bush-Tell, Inc. will respond in writing to state or federal administrative agencies within 30 days of receiving written consumer complaints from any such agency. Should the agency require a shorter interval for response, Bush-Tell, Inc. will use its best efforts to expedite the review of the complaint to provide a response which meets the agency-provided target date.

#### **TERMINATION OF SERVICE**

Bush-Tell, Inc. follows the state public utility commission's rules for termination of service. Service cannot be terminated without advance notice to the customer. If service is being terminated for non-payment, the customer will have the option to establish a payment plan. So long as the customer adheres to the payment plan, service will not be disconnected. Customers may terminate service at any time and for any reason. Bush-Tell, Inc. does not assess any termination penalty and the customer is simply required to pay for the services which were used while the service was provided.

Bush-Tell, Inc.: Bush-Tell, Inc.  
 Study Area Code 613004  
 Supplemental Data for: Line 610-Description of Functionality in Emergency Situations

---

As an initial point, Bush-Tell, Inc. had no service outages during 2012 which met the FCC’s threshold for reporting into the Network Outage Reporting System (“NORS”).

Bush-Tell, Inc. engages in preventative maintenance programs which help ensure network reliability in all conditions. This includes regular checks on generators, battery back-up, HVAC infrastructure at central office switches, and tree trimming/removal when trees have the potential to take down telephone lines during events of high wind or heavy snow. Access to critical infrastructure (like central office switches) is limited to essential personnel. Spare equipment is maintained in inventory.

Like most local exchange carriers, Bush-Tell, Inc.’s network consists of electronic switching equipment and a network of fiber optics and copper facilities. Each Bush-Tell community is non-contiguous and is not connected by roads, making redundancy between communities extremely expensive.

From a switching standpoint, Bush-Tell, Inc. has one primary switch in each community it serves. The largest threat to switches is the loss of power. To address this, Bush-Tell, Inc. ensures adequate battery back-up is maintained as well as backup generator capacity at its largest exchanges. The following table shows the available battery backup at each exchange as well as backup generator capacity:

Exchange	Generator	Batteries
Aniak	30KW	12 Hrs
Anvik		8 Hrs
Crooked Creek		8 Hrs
Grayling		8 Hrs
Kalskag	10KW	8 Hrs
Red Devil		8 Hrs
Shageluk		8 Hrs
Stoney River		8 Hrs
Sleet Mute		8 Hrs

In cases of emergency, Bush-Tell, Inc.’s management has contact information for all employees. Depending upon the scope of the emergency, Bush-Tell, Inc. may call-in as many employees as necessary to provide continual telecommunications service. When poles are down from emergencies, the Bush-Tell, Inc. works with other utilities attached to the same poles to expedite the repair or replacement of the infrastructure.

In summation, Bush-Tell, Inc. takes preventative measures to plan for emergency situations and also takes steps to mitigate the risk or duration of such events.

Bush-Tell, Inc.:	Bush-Tell, Inc.
Study Area Code	613004
Supplemental Data for:	Line 920-Tribal Government Engagement Obligation

---

In 2012, Bush-Tell, Inc. contacted all of the tribal administrators in its service area in order to comply with the Universal Service Transformation Order. Bush-Tell, Inc. contacted the following Traditional Councils by phone to verify the President or Chief and to verify their address. This effort was headed up by Sonya Hill, Bush-Tell's Office Manager and an Alaska Native:

Aniak Traditional Council  
 PO Box 349  
 Aniak, AK 99557  
 President: Wayne Morgan  
 Tribal Admin: Laura Simeon  
 Ph # 675-4349

Anvik Traditional Council  
 PO Box 10  
 Anvik, AK 99558  
 Chief: Carl Jerue Jr.  
 Ph # 663-6346

Holy Cross Tribal Council  
 PO Box 89  
 Holy Cross, AK 99602  
 Chief: Eugene and Tessie Paul  
 Ph # 476-7207

Shageluk IRA (Indian Reorganization Act.)  
 PO Box 35  
 Shageluk, AK 99665  
 Chief: Election to be held 11-8-12  
 Ph #473-8239

Grayling IRA (Indian Reorganization Act.)  
 PO Box 49  
 Grayling, AK 99590  
 Chief: Gabriel Nicholi  
 Ph # 453-5116

Crooked Creek Traditional Council  
PO Box 69  
Crooked Creek, AK 99575  
President: Evelyn Thomas  
Ph # 432-2200

Sleetmute Traditional Council  
PO Box 109  
Sleetmute, AK 99668  
President: Sophie Gregory  
Ph # 449-4263

Stony River Traditional Council  
PO Box SRV  
Stony River, AK 99557  
President: Mary Willis  
Ph # 537-3258

Village of Upper Kalskag  
PO Box 50  
Upper Kalskag, AK 99607  
President: Elections held on Oct. 1<sup>st</sup>  
Tribal Admin: Bonnie Perrson  
Ph # 471-2322

Village of Lower Kalskag  
PO Box 27  
Lower Kalskag, AK 99626  
President: Nastasia Levi  
Ph # 471-2300

Red Devil Traditional Council  
PO Box 27  
Red Devil, AK 99656  
President: No Council at this time.  
Tried and was unable to contact anyone.

Each tribal administrator was informed of Bush-Tell Inc.'s responsibility to work with all tribal offices regarding a variety of topics, and that Bush-Tell, Inc. would be sending out a letter describing those responsibilities. Specifically, Bush-Tell, Inc. informed each entity its intent to