August 21, 2013

VIA EMAIL AND U.S. MAIL

Peter Aimable, Director
Northern Division
Telecommunications Program
Rural Utilities Services
1400 Independence Avenue, S.W.
Washington, DC 20250-0700

Re: Alaska 531-A42 – OTZT and Alaska 516 OTZ

Dear Peter:

As we discussed, OTZ Telecommunications, LLC f/k/a OTZ Telecommunications, Inc. ("OTZT") and its parent company, OTZ Telephone Cooperative, Inc. ("OTZ"), recently became aware of the July 15, 2013 decision of the Federal Communications Commission ("FCC") In the Matter of Adak Eagle Enterprises, LLC and Windy City Cellular, LLC Petitions for Waiver of Certain High-Cost Universal Service Rules, WC Docket No. 10-90, WT Docket No. 10-208 ("*FCC Adak Decision*"). OTZT and OTZ believe that the FCC Order signals the FCC's intent not to treat high-cost Universal Service support for rural Alaska telecommunications carriers in a manner that benefits them and raises concern about whether the direction the FCC is apparently now going will support the cash flow needed to service increased debt if OTZT and OTZ draw down funds now under the $2,400,000 RUS loan, Project Alaska 531-A42 – OTZT (the "Loan").

While OTZT and OTZ, as co-borrowers on the Loan, feel comfortable at this time about OTZ's ability to service its other existing outstanding debt to RUS and the Rural Telephone Finance Cooperative, they believe it incumbent on them under the terms of the $2,400,000 loan agreement ("Loan Agreement") to draw your attention to the *FCC Adak Decision*.

OTZT and OTZ expected that the uncertainty in the Universal Service support rules as applied to rural Alaska telecommunications companies would be favorably resolved by this time. The recent *FCC Adak Decision*, however, at least temporarily, points in a different direction. OTZT and OTZ wanted to draw this matter to RUS attention generally and before RUS took formal action on the proposal for a contract between Lemko Corporation and OTZT for $1,110,926 previously submitted to RUS for formal approval from the Administrator at RUS. That submittal occurred before the recent *FCC Adak Decision*. OTZT and OTZ believe that a draw down on the Loan is not viable at this time and could undermine the ability to service RUS debt. OTZ asks that RUS consider the information in this letter before deciding whether the Administrator would formally approve the Lemko proposal for a contract. Please call me before reaching a final decision.

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OTZT remains hopeful that the FCC will reverse its current course and become more friendly to use of Universal Service funds to truly support rural Alaska telecommunications companies such as OTZT and OTZ before the time to borrow funds under the Loan Agreement expires. If the current outlook changes, OTZT and OTZ may approach RUS again. In the meantime, however, OTZT believes reasonable fiscal management makes it necessary to deal with the world as it stands today.

Very truly yours,

OTZ Telephone Cooperative, Inc. and
OTZ Telecommunications, LLC by its Manager,
OTZ Telephone Cooperative, Inc.

Doug Neal

Doug Neal,
Chief Executive Officer

cc: Lamont Silas
Richard M. Rosston