

## **Understanding Taxes, Surcharges and Fees**

In addition to the monthly service charges billed for Gladly Software Inc.'s ("Gladly") services, surcharges, taxes, fees and other charges may be applied to your monthly invoice based on the type of service you have and your geographical location, among other factors. Certain taxes, fees or surcharges may show up as separate line items on your invoice. Examples include, but are not limited to the following.

### ***Federal Communications Program Fees***

**Federal Universal Service Fund (FUSF).** The Telecommunications Act of 1996 requires Gladly to contribute to the Federal Universal Service Fund ("FUSF"). The FUSF helps to make phone service affordable and available to all Americans, including consumers with low incomes; those living in areas where the cost of providing telephone service is high; public schools and libraries; and rural healthcare providers. The Federal Communications Commission ("FCC") delegates the administration of the FUSF to the Universal Service Administrative Company ("USAC"). Each quarter, the FCC adopts a "contribution factor" for FUSF support. The contribution factor is a percentage of the total interstate and international end-user telecommunications and Interconnected VoIP ("I-VoIP") revenue that each carrier is responsible for contributing to the FUSF. As permitted by FCC regulations, Gladly has opted to bill the FUSF surcharge as a separate line item to end-user customers. Consistent with such regulations, Gladly only bills FUSF line item charges in an amount equal to the quarterly contribution factor currently in effect multiplied by the invoiced amount subject to the FUSF. This is a permissible pass-through surcharge but is not a tax or charge mandated by the government.

Please visit [USAC's Website](#) for more information on the FUSF.

**Federal Cost Recovery Fee.** The Telecommunications Act of 1996 requires Gladly to contribute to the Federal Telecommunications Relay Services (TRS) Fund. The TRS Fund was established by the FCC in 1993 to reimburse TRS providers for the cost of providing interstate TRS services. TRS services are telephone transmission services that provide hearing or speech challenged individuals with the ability to use a traditional telephone. The Federal Cost Recovery Fee is imposed to assist Gladly to offset the costs of its TRS compliance obligations. This is a permissible fee but is not a tax or charge mandated by the government.

**Federal Local Number Portability Fee.** Local Number Portability ("LNP") is a customer's ability to keep existing phone numbers when switching to another service provider. Gladly must provide LNP, as well as contribute to the FCC's LNPA program, designed to diffuse the

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costs of administering LNP. Gladly pays a proportionate share of the LNP costs in each region in which it operates and has customers. This fee varies frequently by region. The LNP Fee is imposed to assist Gladly to offset the costs of its LNP compliance obligations. This is a permissible fee but is not a tax or charge mandated by the government.

**Federal North American Numbering Program Administration (NANPA) Fund.** The North American Numbering Plan (“NANP”) is an integrated telephone numbering plan for the Public Switched Telephone Network (“PSTN”) serving multiple countries including the United States and its territories. It is administered by the North American Numbering Plan Administration (“NANPA”).

Under the FCC’s rules, Gladly must contribute to the costs of numbering administration. Contributions are based on a percentage of Gladly’s revenues from customers using international, intrastate and interstate communications services. The percentage varies annually. The Federal NANPA Fund Fee is imposed to assist Gladly to offset the costs of its NANP compliance obligations. This is a permissible fee but is not a tax or charge mandated by the government.

**FCC Regulatory Fee.** Gladly, as an interstate service provider, must pay an annual regulatory fee to the FCC. This fee varies annually. The FCC Regulatory Fee is imposed to assist Gladly in offsetting the costs of its FCC annual fee compliance obligations. This is a permissible fee but is not a tax or charge mandated by the government.

### ***State & Local Taxes and Surcharges***

#### **State & Local Regulatory Surcharges**

**State Universal Service Fund (USF).** Gladly may also be required to contribute to State Universal Service Funds (“SUSF”). The funds may be used to assist in providing universal service and to support a variety of other programs at the state level. Gladly collects applicable charges from its end-user customers. These charges are permissible pass-through surcharges but are not taxes or charges mandated by the government.

**Telecommunications Relay Services Fund.** Some states also require contributions to State TRS Funds to offset the cost of providing local transmission services that provide hearing or speech challenged individuals with the ability to use certain communications services. Many states require Gladly to remit this fee to the governing authority. Gladly collects applicable fees from customers and remits them to the relevant authorities.

#### **State & Local Taxes**

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## **State & Local Sales and Use Taxes**

All states, with limited exceptions, impose some form of state-level sales and use tax. The sales and use tax is generally imposed on the sale or use of tangible personal property and certain services. These taxes are intended to be passed on to the end user/consumer.

In many states, local jurisdictions also impose a sales or use tax. In some instances, the local sales and use tax is administered by the local jurisdiction. In other instances, the state administers the local sales and use tax.

Certain exemptions apply for sales for resale, and sales to certain types of entities (e.g., the federal government, state and local governments, non-profit entities, etc.).

Gladly collects sales and/or use taxes as required by state and/or local law.

## **Communications Services Tax**

Some state and local jurisdictions impose communications specific taxes on communications services in addition to or in lieu of sales or use tax. The communications services tax is intended to be passed on to the end user/consumer. The rates for communications services taxes are usually different than the sales and use tax rates and vary by jurisdiction.

Certain exemptions apply for sales for resale, and sales to certain types of entities (e.g., the federal government, state and local governments, non-profit entities, etc.).

Gladly collects communications services taxes as required by applicable state and/or local law.

## **Gross Receipts Taxes**

A number of states impose a gross receipts tax on communications service providers. In some states, gross receipts taxes are intended to be passed on to the end user/consumer. In other states, the gross receipts tax is the responsibility of the seller, and there is no pass-through to the end user.

Certain exemptions may exist for gross receipts taxes that are intended to be passed on to the customer, based on the type of entity making the purchase (e.g., the federal government, state and local governments, non-profit entities, etc.).

Gladly pays gross receipts taxes and collects them from customers when required (or permitted) by applicable state and/or local law.

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## **Local Utility Taxes**

Local utility taxes are imposed by cities and counties in a select number of states. Certain exemptions apply for sales for resale, and sales to certain types of entities (e.g., the federal government, state and local governments, non-profit entities, etc.).

Gladly pays local utility taxes and collects them from customers when required (or permitted) by applicable state and/or local law.

## **Local License Taxes**

Local license taxes are imposed by cities and counties in a limited number of states.

Certain exemptions apply for sales for resale, and sales to certain types of entities (e.g., the federal government, state and local governments, non-profit entities, etc.).

Gladly pays local license taxes and collects them from customers when required (or permitted) by applicable state and/or local law.

## **E911 Fees**

In order to fund the provision of 911 emergency telephone service, state and local jurisdictions impose E911 fees on certain communications services. These fees are sometimes administered by the state department of revenue, but the majority of E911 fees are assessed and administered by local jurisdictions. E911 fees are intended to be passed on to the customer on the invoice. Sales for resale are generally exempt from E911 fees. Non-profit organizations are generally subject to E911 fees, whereas they might be exempt from taxes or other fees.

Gladly collects E911 fees from customers when required by applicable state and/or local law.