MONTANA TELECOMMUNICATIONS

Montana Independent Telecommunications Systems

Providing Professional Services to the Telecommunications Industry

August, 2001

- MITS - Board of Directors

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Nemont Telephone Cooperative

Mark Your Calendar!

- Sept 23-26: ITTI (Indian Telecom Training Initiative) 2001, Las Vegas, Nevada
- Sept 23-26: NTCA 2001 Fall Conference, Baltimore, Mayland
- Oct. 6th: 51st Annual Nemont Membership Meeting, Plentywood, MT
- Oct. 15-18: New Mexico State University Regulatory Basics Albuquerque, NM
- Oct. 24-26: FCC/State 706 Technology Conference—Washington D.C.
- Dec. 3 & 4: MITS Annual Meeting, Helena, MT

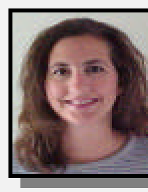
MAIN Expands Fiber Optic Network

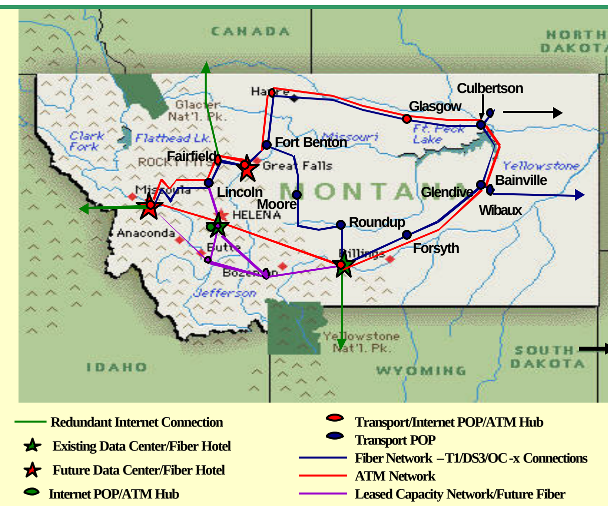
Come September 2001, Montanans will have even greater options for advanced services. Montana's Advanced Information Network (MAIN), Inc. is in the process of upgrading their existing Montana fiber-optic network. MAIN's network currently consists of two routes. The northern route spans from the North Dakota border to Missoula, with POP (Point of Presence) locations in Missoula, Great Falls, Havre, Glasgow, Culbertson and Bainville. The southern route spans from the North Dakota border to Billings, with POP locations in Wibaux, Glendive, Forsyth and Billings. With the completion of the expansion project, the two existing routes will be connected via routes between Culbertson and Glendive and Billings and Fort Benton, creating a self-healing SONET ring. This new ring will offer customers diversity and error-free reliability. For instance, if there's a fiber cut in one area affecting service, the data will be re-routed via an alternate route to avoid service disruptions. Additionally, MAIN's routes between Missoula and Fort Benton will be upgraded with new, state-of-the-art Alcatel high-density SONET multi-service equipment. This will increase capacity and flexibility to support network growth and additional services.

One of the key advantages MAIN offers is access to rural areas other carriers cannot access. MAIN also ties to major metro areas and points throughout the United States and Canada. It is the only statewide fiber-optic network provider that has POPs east of Billings and along the northern corridor. Additional POPs in Roundup, Fairfield and Moore will be added with the completion of the ring and network upgrade.

MAIN was formed in 1995 by ten of Montana's independent telephone companies. The goal was to link their individual networks into a statewide, 100% digital fiber-optic network spanning from the North Dakota border to western Montana. Through this collaboration of the state's independent telephone companies, MAIN can reach communities throughout the state and provide the same high-speed data and telecommunications services that customers in metropolitan areas enjoy. Through partnerships with the independent telephone companies and Vision Net, communities now have high speed access for Internet and video conferencing as well as other data and voice services. MAIN's Billings POP is located in the iConnect Montana fiber hotel, where connections to other carriers provide Montana customers access to locations nationwide. In addition, MAIN meets Dakota Carrier Network (DCN) at two locations, providing connections into North Dakota and beyond to Minnesota.

Kathy Duff, General Manager, began her position with MAIN in May, 2001. Kathy oversees all operations of the business on a day-to-day basis including sales/marketing and technical and administrative operations. She previously worked for Onvoy in Plymouth, Minnesota and Mid-Rivers Telephone in Glendive, Montana. Kathy was born and raised in Circle, Montana. Kathy can be reached at (406) 252-4617.





MAIN'S Fiber Network

10th Circuit Court Reverses - Affirms Portions of FCC Universal Service Decisions

The 10th U.S. Circuit Court of Appeals in Denver reversed and remanded one FCC decision and affirmed another, both of which are likely to have important implications for affordable telephone service in Montana. In its Ninth Report and Order, the FCC had established that funding to support affordable telephone service in high-cost areas served by non-rural carriers (i.e., Qwest in Montana) should be based on a benchmark of 135% of the national average cost per line. Qwest had challenged the FCC decision, arguing that the 135% was inconsistent with federal law requiring rates in rural and urban areas to be "reasonably comparable."

The Montana Public Service Commission had joined in the appeal on the basis that the benchmark resulted in too little funding for high-cost areas in Montana.

The 10th Circuit Court reversed and remanded the FCC's Ninth Order, requiring the FCC to better define "reasonably comparable" and provide more adequate support on record for its benchmark percentage. "Merely identifying some range and then picking a compromise figure is not rational decision making," the Court said. These statements may prove quite important to Montana's telephone cooperatives and other rural providers as well during the FCC's further deliberations on funding for rural providers in high-cost areas.

On the other hand, the 10th Circuit affirmed the FCC's Tenth Report and Order. That order adopted a computer model to predict costs for non-rural carriers serving rural areas (again, Qwest in Montana). Essentially, the purpose of such a computer model is to predict what costs should be, rather than what a provider has actually invested, in rural areas. Financial support for affordable rates is then based on the computer model. The Court deferred to the FCC's expertise in this area and upheld the computer model.

Year 4 E-Rate Funding "Waves" Begin

The Universal Service Administrative Company (USAC) has announced the first funding commitments for the fourth year of the federal universal service "E-Rate" program. The program provides funding for discounts in telecommunications services and Internet for schools and libraries nationwide. The program also funds discounts for wiring the nation's most economically disadvantaged schools and libraries. Funding commitments are noticed in "waves" that detail funding approved for the schools and libraries timely filing applications for the discounts.

Over $818,095 in discounts has been committed for schools and libraries in the service areas of Triangle, Central, Nemont, Project and Valley telephone companies. The discounts are designed to be reflected on bills received for services provided from July 1, 2001 through June 30, 2002. Additional funding is expected with future waves.

While serving less than 8% of the total access lines in Montana, MITS' member companies worked with schools and libraries in their service areas, helping them to receive over one third of the total E-Rate funding allocated to Montana for the first three years of the program.

ETC Certification Deadline Approaches

FCC rules now require state Public Service Commissions to certify that eligible rural telecommunications carriers receiving universal service support are using the funding for its intended purpose. Previous to a May 2001 FCC Order, states were required only to certify non-rural carriers. State Commissions must make the filings to the FCC by October 1, 2001, or carriers in the state will not receive high cost funding for the first quarter of year 2002.

More than $2.23 billion in High Cost Universal Service support was distributed in 2000 to companies serving customers in high cost areas such as Montana.

High-cost universal service support gives consumers access to telecommunications services in areas where the cost of such service otherwise might be prohibitively expensive. By providing support to eligible telecommunications carriers, the universal service program helps ensure that telecom rates paid by Americans living in rural or remote areas are comparable to rates paid by those living in more densely populated areas of the nation.

Montana Telecommunications Symposium
December 3-4
Helena, MT

MTA Honors Former Triangle, CMC General Manager

Burl is congratulated by MITS' Mike Strand

Burl Miner, former General Manager of Triangle Telephone Cooperative and Central Montana Communications, was awarded Montana Telecommunications Association's (MTA) Distinguished Leadership Award for 2001. Presenting the award at the July MTA meeting, Geoff Feiss, General Manager, acknowledged Burl's commitment, leadership and dedication to the telecommunications industry of Montana.

Burl began his telecom career as a lineman for Triangle Telephone Cooperative and moved on to become plant superintendent and then general manager of Triangle/CMC from 1984 until his retirement in 1999. Burl was a founding member and leader of MAIN, Montana's independent fiber optic backbone network, and Vision Net, Montana's independent videoconferencing network. He was also a founding member of MITS in 1994. His leadership in the cooperatives' acquisition of numerous US WEST exchanges in 1994, led to significant upgrades of rural telecom networks across Montana. Subsequent investments by the independent telephone companies, paving the way for the roll out of advanced services, have benefited thousands of rural telephone subscribers. Burl helped found Skyland Technologies, a competitive telecom company now serving North Dakota. He has also been a community leader in education and health care issues. Even after retirement, Burl continues with his telecommunications work. Congratulations, Burl!

Nemont Communications is now offering ADSL, high speed Internet , in Crow Agency, Plentywood, Glasgow, Wolf Point, Poplar, Culbertson and Scobey. The company also plans to release ADSL in Worden and Absarokee soon!

PSC Zeros In On Slamming

The Montana Public Service Commission on July 31, 2001 voted to adopt a modified slamming rule protecting consumers who switch telecommunications carriers based on false or misleading statements from telemarketers. Stopping short of requiring carriers to tape telemarketing calls, the new rule will require telephone companies to make full reimbursement of charges incurred by customers intentionally misled or misinformed by telemarketers. MITS had filed comments with the PSC supporting stronger slamming rules.

In a related matter, the PSC directed staff to treat slamming and cramming complaints with a "close to zero" tolerance. If the PSC receives a threshhold number of complaints indicating a company's pattern of actions that appear to be violating slamming laws, the PSC will issue a formal notice to the company for response. In such cases the PSC staff, rather than individual customers, will assume the burden of establishing the record for the Commission's proceeding.

PSC slamming complaints received

540 in 1998
441 in 1999
178 in 2000
75 in 2001 (January-end of June)

Source: MT PSC

FCC Sets 2nd Annual Indian Telecom Training

The FCC's second annual Indian Telecom Training Initiative is set for Sept 23-16, 2001 in Las Vegas, Nevada. The conference is aimed at providing information to American Indian tribal leaders and others to help increase telecommunications services to tribal residents. The FCC intends to bring together experts to inform tribal governments about various facets of telecom services and how different technologies, regulatory rules and govt programs can be used to benefit tribal communities. An added emphasis will be on networking and establishing concrete goals and objects to improve access and affordability of telecommunications services on tribal reservations

Larry Wetsit , Public Affairs Manager for Nemont Telephone Cooperative, has participated in past ITTI meetings and has been an active advocate in maximizing telecommunications on tribal lands.

Triangle-CMC have now rolled out ADSL, high speed Internet access, in Denton, Harlowton, Hobson, Rapelje and Geraldine, Montana, moving towards their goal of having DSL available in 100% of their exchanges

mits Montana Independent Telecommunications Systems

Mike Sheard Mike Strand
Bonnie Lorang

MITS Contact Information:

P.O. Box 5237
2021 11th Avenue, Suite 12
Helena, MT 59604-5237
Phone: 406-443-1940
Fax: 406-443-2880
mstrand@mitstel.com

Or, find us on the Web at:
www.mitstel.com

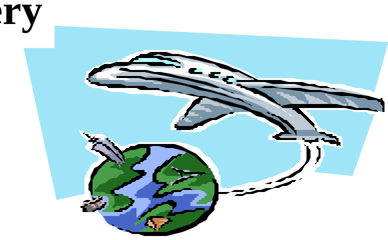
Once again, Montana's rural telecommunications carriers set the pace for making access to advanced services a reality. By the end of 2001, Montanans in over 120 communities served by rural telcos will enjoy the ability to access the Internet at lightning fast speeds using digital subscriber line (DSL) technology.

The Cutting Edge

Far Out Broadband Delivery

There are an increasing number of ways to deliver broadband services into homes and businesses including DSL; cable modems; optical fiber; power grid technologies; microwaves; and satellites. Soon a new and novel alternative may be added to this list. Angel Technologies Corporation (www.angelhalo.com), of St. Louis, and its strategic partners which include the Raytheon Corporation plan to deliver broadband services from a fleet of specially designed airplanes circling at an altitude of 52 to 60 thousand feet.

Each airplane, dubbed by Angel as HALO (for High Altitude Long Operation) aircraft is essentially a 10 mile high communications tower. With a "footprint" 50 to 70 miles in diameter, each HALO airplane will create a wireless network large enough to encompass a typical metropolitan area. Three airplanes will be required for each area served and will rotate in overlapping 8 hour shifts to achieve continuous service.



Subscribers within a HALO footprint will be able to exchange data, reportedly at multi-megabit per second data rates, directly through the airborne communications hub located on each HALO airplane. Information transmitted to or received from non-subscribers or from entities outside the footprint will be routed via gateways on the ground that connect the airplanes to the Internet and the Public Switched Telephone Network.

Deployment of HALO networks moved one step closer to reality late last year when Scaled Composites (the company that designed the HALO aircraft, set three unoffocial world altitude records late last year during HALO test flights. The companies involved in the HALO project also successfully demonstrated, during tests conducted over the Mojave Desert, that a HALO network can transmit data at speeds of over 50 megabits per second. Commercial deployment may begin sometime in the next 12 to 24 months, and the Los Angeles area has been named as a likely candidate for the initial deployment.