

BCN Telecom, Inc.
Data Request No. 1
TC13-105

Response Deadline: September 16, 2013

- 1-1. Pursuant to 20:10:32:03(6), please provide dates of authorization to provide services in the listed areas.

Please see Exhibit 1.

- 1-2. Pursuant to 20:10:32:03(12), please describe the rows immediately under “Cash” and “Note Payable to Bank.” These rows do not have a description, but they do contain numbers.

These amounts represent a top sided F/S level reclass of negative cash to A/P. Under Codification Topic 210-20 this is the treatment which must be applied.

- 1-3. Pursuant to 20:10:32:03(12), please explain the \$625,000 change in Long-Term Liabilities Note Payable to Bank. October 2012 was \$41,667, and November 2012 was \$666,667.

BCN financed an additional term loan in 2012 in the amount of \$1,000,000. Since the loan is over multiple years the portion which is not considered current (anything over one year) is entered in the GL under long-term and properly reflected on the Balance Sheet.

- 1-4. Pursuant to 20:10:32:03(12), please explain the \$762,700 (4,311,770 – 3,549,070) dip in Paid-in Capital in November 2012.

Dividends were paid during the year which resulted in a decrease in paid in capital. The dividends were mistakenly entered in the GL in Paid in Capital then subsequently reclassified in the GL to Retained Earnings in December per GAAP.

- 1-5. Pursuant to 20:10:32:03(12), please explain the consistent, and substantial, negative Retained Earnings.

Retained Earnings is ultimately a function of net income and any dividends paid. Since BCN has had a net loss in 2012 and paid dividends in 2012 it is materially correct to assume retained earnings would be negative.

- 1-6. Pursuant to 20:10:32:03(12), please explain the cause of the net losses in October 2012, November 2012, and December 2012.

The general economy has impacted BCN’s business as well as Hurricane Sandy in the last quarter of 2012.

- 1-7. Pursuant to 20:10:32:03(12), please explain the \$1,364,015 (2,277,253 – 913,238) swing in Total Capital for the year 2012.

During the year BCN paid a dividend and had a net loss thus total capital (equity) would decrease in direct correlation to the aforementioned. Owners' Equity (capital) is a function of various items. These items are capital contributions (none), dividends paid and net income or loss (please see F/S).

- 1-8. Pursuant to 20:10:32:03(12), in light of the above questions, I cannot recommend a waiver for the Statement of Cash Flows. Please provide a Statement of Cash Flows. I would consider granting the waiver if the January – June 2013 Balance Sheet and Income Statement are provided.

Attached please find Exhibit 2.

- 1-9. Pursuant to 20:10:32:03(14), please describe **how** BCN intends to market its local exchange services. Please provide examples of brochures, print ads, etc.

Attached please find Exhibit 3.

- 1-10. Pursuant to 20:10:32:03(21), please clarify when the tariffs will be submitted to the South Dakota Public Utilities Commission.

Attached please find Exhibit 4.

- 1-11. Pursuant to 20:10:32:03(22), please clarify that the written notice will be made at least thirty days in advance of a change.

Applicant will provide written notice to customers at least thirty (30) days in advance of any changes in rates, terms or conditions of service offerings.

- 1-12. Pursuant to 20:10:32:03(23), as mentioned in Data Request 1-8, the Statement of Cash Flow waiver will be considered upon receipt of the January – June 2013 Balance Sheet and Income Statement.

Attached please find Exhibit 5.