

McDonough Telephone Cooperative, Inc.
 Illinois Universal Service Funding Calculation
 Based upon ICC Form 23A Report Data for December 31, 2009

<u>Line #</u>	<u>Description</u>	<u>Source</u>	<u>Amount</u>	<u>Adjustment*</u>	<u>Adjusted Amount</u>
1	Net Regulated Plant	Form 23A, P 8, Net Plant	\$ 12,513,706	\$ (243,812)	\$ 12,269,894
2	Materials and Supplies Inventory	Page 2, 13-Month Average	322,997		322,997
3	Customer Deposits	Form 23A, P 8, 4040	375	-	375
4	ADIT - Regulated Plant	Form 23A, P 8, 4100 + 4340	-	-	-
5	Rate Base before Working Capital	line 1 + line 2 - line 3 - line 4			12,592,516
6	Working Capital Requirement				
7	Total Operating Expenses	Form 23A, P 11, Total	5,551,600	(135,065)	5,416,535
8	Less: Depreciation Expense	Form 23A, P 11, 6560	1,546,264	(52,933)	1,493,331
9	Total WC Operating Expense	line 7 - line 8	4,005,336	(82,132)	3,923,204
10	WC OE Requirement	line 9 * 45 / 360			490,400
11	Commission-Ordered Cash Balance Requirement		-	-	-
12	Total Working Capital Requirement	line 10 + line 11			490,400
13	Total Rate Base	line 5 + line 12			13,082,916
14	Total Operating Revenues	Form 23A, P 9, Total	6,612,015	64,772	6,676,787
15	Less: Illinois Universal Service Fund	Page 3, Line 4	926,664	-	926,664
16	Net Operating Revenues	line 14 - line 15	5,685,351	64,772	5,750,123
17	Total Operating Expenses	Form 23A, P 11, Total	5,551,600	(135,065)	5,416,535
18	Other Operating Inc and Exp - Net	Form 23A, P 12, 7100	-	-	-
19	Other Operating Taxes	Form 23A, P 12, 7240	19,834	(389)	19,445
20	Net Op Inc before Income Taxes	line 16 - lines 17, 18, & 19	113,917	200,226	314,143
21	Income Tax Expense	line 34			-
22	Net Operating Income	line 20 - line 21			314,143
23	Return on Rate Base	line 22 / line 13			2.40%
24	After-tax Cost of Capital				9.34%
25	Target Net Operating Income	line 24 * line 13			1,221,944
26	Adj to Achieve Target Return on RB	line 25 - line 22			907,801
27	Gross Revenue Conversion Factor	line 35			1.0000
28	ROR Funding Deficiency Including Inc Taxes	line 26 * line 27			907,801
29	Calculation of Income Tax Expense				
30	Net Op Inc before Inc Taxes	line 20			314,143
31	Illinois Inc & Rep Tax Expense	line 30 * 7.30%			-
32	Net Op Inc before Fed Inc Tax	line 30 - line 31			314,143
33	Federal Income Tax Expense	line 32 * 34.00%			-
34	Total Imputed Income Tax Expense	line 31 + line 33			-
35	Gross Revenue Conversion Factor	1/((1 - 0)*(1 - 0))			1.0000

* Provide detail on Page 4 for all adjustments.

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Material & Supplies Worksheet and Other Information

<u>Line #</u>		
1	December-08	\$330,562
2	January-09	\$346,925
3	February-09	\$397,118
4	March-09	\$373,357
5	April-09	\$386,168
6	May-09	\$379,257
7	June-09	\$372,494
8	July-09	\$334,019
9	August-09	\$233,176
10	September-09	\$213,042
11	October-09	\$197,382
12	November-09	\$277,732
13	December-09	\$357,728
14	13 Month Average	\$322,997

Sale/Lease Back Arrangement

- The company does not have any sale(s)/lease back arrangement.
 The company does have sale(s)/lease back arrangement.

Lease Agreement with Affiliates

- The company does not have any lease agreements with affiliates.
 The company does have lease agreements with affiliates.

Tax Status (1=Taxable, 2=Coop) 2

After Tax Return-Taxable 9.34%
After Tax Return-Coop 9.34%

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 Operating Revenues By Category

<u>Line #</u>		<u>Source</u>	<u>Amount</u>
1	Local Revenues	Form 23A, P 9, Total Local Network Service Revenues	\$ 809,836
2	State Subscriber Line Charges	Trial Balance 12/31/09	\$ 231,289
3	State Access Revenues	Trial Balance 12/31/09	\$ 410,551
4	State Universal Service Support	Trial Balance 12/31/09	\$ 926,664
5	State Special Access Revenues	Trial Balance 12/31/09	\$ 14,842
6	Total State Access & Local Revenues	Sum (Ln 1 - 5)	<u>\$ 2,393,182</u>
7	Federal Subscriber Lines Charges	Trial Balance 12/31/09	\$ 342,586
8	Federal Access Revenues	Trial Balance 12/31/09	\$ 1,537,030
9	Federal High Cost Loop Support	Trial Balance 12/31/09	\$ 1,756,062
10	Federal Special Access Revenues	Trial Balance 12/31/09	\$ 352,910
11	Total Federal Access Revenues	Sum (Ln 7 - 10)	<u>\$ 3,988,587</u>
12	Misc Revenues	Trial Balance 12/31/09	\$ 230,246
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	<u><u>\$ 6,612,015</u></u>

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 Description of Adjustments

Description of Adjustment	Debit	Credit
<u>Rate Base Adjustments</u>		
Net Part 64		\$243,812
<u>Revenue Adjustments</u>		
High Cost Loop 2009	\$1,756,062	
HCL Safety Net 2009 (line 8)	\$61,787	
High Cost Loop 2011		\$1,910,964
HCL Safety Net 2011		\$0
Net Increase		\$93,115
State Access Rate Reduction	\$28,343	
<u>Expense Adjustments</u>		
Part 64 Plant Specific		\$36,973
Part 64 Depr		\$52,933
Part 64 Marketing		\$1,847
Part 64 Customer Service		\$16,433
Part 64 Corporate		\$26,879
Part 64 Other Taxes		\$389

Note: Carry all adjustments forward to Page 1