

Step 4 - Support Ceilign for Very High-Cost Areas				Final Calculations	
Locations in high-cost sector	400			\$/mo	\$/loc/mo
Support Cap/loc/mo	\$ 100.00			Support4 = \$ 40,000	\$ 100.00
Step 5 - Initial Federal Support		Calculations		Final Calculations	
Support1/mo	\$ 37,880.00		\$/mo		
Support2 /mo	\$ 12,800.00	Greater of Suport1 and 2	\$ 37,880		
Support3/mo	\$ 32,963.33	Lesser of above and Support3	\$ 32,963	\$/mo	\$/loc/mo
Support4/mo	\$ 40,000.00	Lesser of above and Support4	\$ 32,963	Support5 = \$ 32,963	\$ 32.96
<i>Support is controlled by: Step 3: Maximum ROR limit</i>					
Step 6 - State Contribution Adjustment		Calculations		Final Calculations	
State USF revenue/yr *	\$ 18,000,000		\$/loc/mo	\$/mo	\$/loc/mo
State households	1,000,000	State USF effort	\$ 1.50		
State Effort Deduction **	\$ 2.00				
Matching Rate	100%	State effort standard deduction	\$ (2.00)		
Maximum add-in for effort	\$ 2.00	State effort add-back	\$ 1.50		
		Net adjustment	\$ (0.50)	Support6= \$ 32,463	\$ 32.46
<i>This step reduces support</i>					
* USF revenues = high cost and Lifeline programs					
** State effort deduction could vary by state, based on prevailing rate level or cost level					
Step 7 - Service Quality Adjustment		Calculation		Final Calculations	
Target donut broadband avail	85%		Percent	\$/mo	\$/loc/mo
Actual donut broadband avail	75%				
Availability index	88%				
Service quality index	95%	Support reduction %	83.8%		
		Pct loss for Service Quality	-16.2%	Support7 = \$ 27,212	\$ 27.21
<i>This step reduces support</i>					
Step 8 - Phase-In		Calculation		Final Calculations	
Support in Prior Year/loc/mo	\$ 40.00		\$/loc/mo	\$/mo	\$/loc/mo
Support7/loc/mo	\$ 27.21				
Length of Phase-In (years)	5				
Current Year in Term	1				
Current Phase-In Factor	20%	Phase-In Support	\$ 37.44	Support8 = \$ 37,442	\$ 37.44
<i>This step increases support</i>					
Final Federal Support =				\$ 37,442	\$ 37.44

Multistage Support Mechanism - Income Tax Effects

Income tax analysis

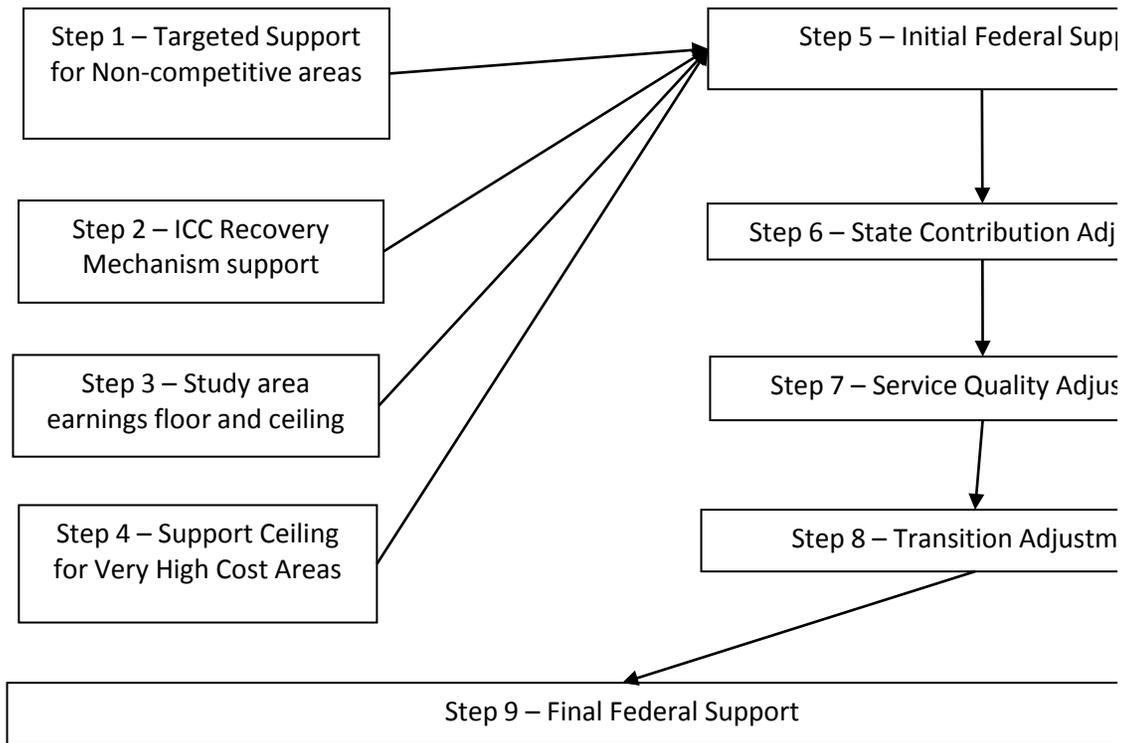
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Note: *Blue indicates uniform national assumptions*

	Weighted Average Cost of Capital	
	S1 - ROI	S3 - Max ROI
Weighted Cost of Capital	9.50%	9.50%
Allowed return	9.50%	9.50%
Debt portion		
Pro-forma debt fraction of capital	50.00%	50.00%
cost of debt	5.00%	5.00%
Equity portion		
Pro-forma equity fraction of capital	50.00%	50.00%
Return on equity	14.00%	14.00%
Income taxes		
Federal tax rate	35%	35%
State tax rate	5%	5%
Total income tax rate	40%	40%
Taxable income / capital	14.00%	14.00%
Income tax / capital	5.60%	5.60%

Schematic for Multistage Support Calculation

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