Form 5500-SF

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Short Form Annual Return/Report of Small Employee Benefit Plan

This form is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500-SF.**

OMB Nos. 1210-0110
1210-0089

2010

This Form is Open to Public Inspection

Part I Annual Report Identification Information

For calendar plan year 2010 or fiscal plan year beginning 10/01/2010 and ending 09/30/2011

A This return/report is for: [X] single-employer plan [ ] multiple-employer plan (not multiemployer) [ ] one-participant plan

B This return/report is for: [ ] first return/report [ ] final return/report
[ ] an amended return/report [ ] short plan year return/report (less than 12 months)

C Check box if filing under: [X] Form 5558 [ ] automatic extension [ ] DFVC program
[ ] special extension (enter description)

Part II Basic Plan Information—enter all requested information

1a Name of plan
VERNON TELEPHONE COOPERATIVE DEFINED BENEFIT PENSION PLAN

1b Three-digit plan number (PN) ▶ 002

1c Effective date of plan 01/01/1987

2a Plan sponsor's name and address (employer, if for single-employer plan)
VERNON TELEPHONE COOPERATIVE

P.O. BOX A
WESTBY, WI 54667

2b Employer Identification Number (EIN) 39-0838123

2c Plan sponsor's telephone number 608-634-3136

2d Business code (see instructions) 561420

3a Plan administrator's name and address (if same as Plan sponsor, enter "Same")
VERNON TELEPHONE COOPERATIVE P.O. BOX A
WESTBY, WI 54667

3b Administrator's EIN 39-0838123

3c Administrator's telephone number 608-634-3136

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN, and the plan number from the last return/report. Sponsor's name

4b EIN

4c PN

5a Total number of participants at the beginning of the plan year	**5a**	49
b Total number of participants at the end of the plan year	**5b**	50
c Total number of participants with account balances as of the end of the plan year (defined benefit plans do not complete this item)	**5c**	

6a Were all of the plan's assets during the plan year invested in eligible assets? (See instructions.) [X] Yes [ ] No

b Are you claiming a waiver of the annual examination and report of an independent qualified public accountant (IQPA) under 29 CFR 2520.104-46? (See instructions on waiver eligibility and conditions.) [X] Yes [ ] No

If you answered "No" to either 6a or 6b, the plan cannot use Form 5500-SF and must instead use Form 5500.

Part III Financial Information

7 Plan Assets and Liabilities		(a) Beginning of Year	(b) End of Year
a Total plan assets	7a	4600193	4674129
b Total plan liabilities	7b		
c Net plan assets (subtract line 7b from line 7a)	7c	4600193	4674129

8 Income, Expenses, and Transfers for this Plan Year		(a) Amount	(b) Total
a Contributions received or receivable from: **(1)** Employers	8a(1)	744365	
(2) Participants	8a(2)		
(3) Others (including rollovers)	8a(3)		
b Other income (loss)	8b	-325766	
c Total income (add lines 8a(1), 8a(2), 8a(3), and 8b)	8c		418599
d Benefits paid (including direct rollovers and insurance premiums to provide benefits)	8d	317966	
e Certain deemed and/or corrective distributions (see instructions)	8e		
f Administrative service providers (salaries, fees, commissions)	8f	26697	
g Other expenses	8g		
h Total expenses (add lines 8d, 8e, 8f, and 8g)	8h		344663
i Net income (loss) (subtract line 8h from line 8c)	8i		73936
j Transfers to (from) the plan (see instructions)	8j		

Part IV Plan Characteristics

9a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
1A 1G 3D

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

Part V Compliance Questions

10 During the plan year:		Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? (See instructions and DOL's Voluntary Fiduciary Correction Program)	10a		X	
b Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 10a.)	10b		X	
c Was the plan covered by a fidelity bond?	10c	X		500000
d Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	10d		X	
e Were any fees or commissions paid to any brokers, agents, or other persons by an insurance carrier, insurance service or other organization that provides some or all of the benefits under the plan? (See instructions.)	10e		X	
f Has the plan failed to provide any benefit when due under the plan?	10f		X	
g Did the plan have any participant loans? (If "Yes," enter amount as of year end.)	10g		X	
h If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)	10h			
i If 10h was answered "Yes," check the box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3	10i			

Part VI Pension Funding Compliance

11 Is this a defined benefit plan subject to minimum funding requirements? (If "Yes," see instructions and complete Schedule SB (Form 5500)) [X] Yes [ ] No

12 Is this a defined contribution plan subject to the minimum funding requirements of section 412 of the Code or section 302 of ERISA? [ ] Yes [X] No

(If "Yes," complete 12a or 12b, 12c, 12d, and 12e below, as applicable.)

a If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions, and enter the date of the letter ruling granting the waiver. Month _____ Day _____ Year _____

If you completed line 12a, complete lines 3, 9, and 10 of Schedule MB (Form 5500), and skip to line 13.

b Enter the minimum required contribution for this plan year	12b	
c Enter the amount contributed by the employer to the plan for this plan year	12c	
d Subtract the amount in line 12c from the amount in line 12b. Enter the result (enter a minus sign to the left of a negative amount)	12d	

e Will the minimum funding amount reported on line 12d be met by the funding deadline? [ ] Yes [ ] No [ ] N/A

Part VII Plan Terminations and Transfers of Assets

13a Has a resolution to terminate the plan been adopted during the plan year or any prior year? [ ] Yes [X] No

If "Yes," enter the amount of any plan assets that reverted to the employer this year 13a

b Were all the plan assets distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? [ ] Yes [X] No

c If during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

13c(1) Name of plan(s):	13c(2) EIN(s)	13c(3) PN(s)

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including, if applicable, a Schedule SB or Schedule MB completed and signed by an enrolled actuary, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	07/12/2012	RODNEY D. OLSON
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	07/12/2012	RODNEY D. OLSON
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor

SCHEDULE SB (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

Single-Employer Defined Benefit Plan Actuarial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500 or 5500-SF.**

OMB No. 1210-0110

2010

This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning 10/01/2010 and ending 09/30/2011

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of $1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan
VERNON TELEPHONE COOPERATIVE DEFINED BENEFIT PENSION PLAN

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF
VERNON TELEPHONE COOPERATIVE

D Employer Identification Number (EIN)
39-0838123

E Type of plan: [X] Single [ ] Multiple-A [ ] Multiple-B

F Prior year plan size: [X] 100 or fewer [ ] 101-500 [ ] More than 500

Part I Basic Information

1 Enter the valuation date: Month 10 Day 01 Year 2010

2 Assets:

a	Market value	**2a**	4600194
b	Actuarial value	**2b**	4560090

3 Funding target/participant count breakdown

			(1) Number of participants	**(2)** Funding Target
a	For retired participants and beneficiaries receiving payment	**3a**	9	3323103
b	For terminated vested participants	**3b**	9	109320
c	For active participants:			
	(1) Non-vested benefits	**3c(1)**		927839
	(2) Vested benefits	**3c(2)**		2319862
	(3) Total active	**3c(3)**	34	3247701
d	Total	**3d**	52	6680124

4 If the plan is at-risk, check the box and complete items (a) and (b) [ ]

a	Funding target disregarding prescribed at-risk assumptions	**4a**	
b	Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor	**4b**	

5	Effective interest rate	**5**	6.28 %
6	Target normal cost	**6**	362008

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE

07/03/2012
Signature of actuary — Date

STEPHEN N.EISENSTEIN — 11-04557
Type or print name of actuary — Most recent enrollment number

NEWPORT RETIREMENT SERVICES, INC. — 608-784-1885
Firm name — Telephone number (including area code)

500 SECOND STREET SOUTH, SUITE 100
LA CROSSE, WI 54601
Address of the firm

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions [ ]

Part II Beginning of year carryover and prefunding balances

		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	0	0
8	Portion used to offset prior year's funding requirement (Item 35 from prior year)	0	0
9	Amount remaining (Item 7 minus item 8)	0	0
10	Interest on item 9 using prior year's actual return of 7.63 %		
11	Prior year's excess contributions to be added to prefunding balance:		
	a Excess contributions (Item 38 from prior year)		3852
	b Interest on (a) using prior year's effective rate of 6.69 %		258
	c Total available at beginning of current plan year to add to prefunding balance		4110
	d Portion of (c) to be added to prefunding balance		0
12	Reduction in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (item 9 + item 10 + item 11d – item 12)	0	0

Part III Funding percentages

14	Funding target attainment percentage	14	68.26 %
15	Adjusted funding target attainment percentage	15	68.26 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	76.19 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	68.26 %

Part IV Contributions and liquidity shortfalls

18 Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
01/14/2011	175000				
03/10/2011	175000				
05/11/2011	175000				
08/25/2011	219365				
			Totals ► 18(b)	744365	18(c) 0

19 Discounted employer contributions – see instructions for small plan with a valuation date after the beginning of the year:

a Contributions allocated toward unpaid minimum required contribution from prior years.	19a	
b Contributions made to avoid restrictions adjusted to valuation date	19b	
c Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	718668

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? [X] Yes [ ] No

b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? [X] Yes [ ] No

c If 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of Quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:

a Segment rates:

1st segment:	2nd segment:	3rd segment:	
3.61 %	6.20 %	6.53 %	☐ N/A, full yield curve used

b Applicable month (enter code)	**21b**	0
22 Weighted average retirement age	**22**	60

23 Mortality table(s) (see instructions) ☒ Prescribed - combined ☐ Prescribed - separate ☐ Substitute

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes	☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment.	☐ Yes	☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment	☒ Yes	☐ No

27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment	**27**	

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	**28**	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)	**29**	
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	**30**	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions)	**31**	362008

32 Amortization installments:	Outstanding Balance	Installment
a Net shortfall amortization installment	2120033	338473
b Waiver amortization installment		

33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount	**33**	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b – item 33)	**34**	700481

	Carryover balance	Prefunding balance	Total balance
35 Balances used to offset funding requirement			0

36 Additional cash requirement (item 34 minus item 35)	**36**	700481
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c)	**37**	718668
38 Interest-adjusted excess contributions for current year (see instructions)	**38**	18187
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37)	**39**	0
40 Unpaid minimum required contribution for all years	**40**	0

Attachment to 2010 Form 5500, Schedule SB, Part V
EIN: 39-0838123 PN: 002
VERNON TELEPHONE COOPERATIVE
DEFINED BENEFIT PENSION PLAN

October 1, 2010
Development of Shortfall Amortization Charge

1.	1st segment rate		3.61%
	2nd segment rate		6.20%
2.	Funding target		6,680,124
3.	Adjusted plan assets		
	(a)	Actuarial assets	4,560,091
	(b)	Funding Standard Carryover Balance	0
	(c)	Prefunding Balance (PFB)	0
	(d)	Adjusted assets: (a)-(b)-(c), not less than 0	4,560,091
4.	Funding shortfall: (2)-(3)(d), not less than 0		2,120,033
5.	Current shortfall amortization installments		
	(a)	Annual installments	
		(i) 6 years remaining	78,973
		(ii) 5 years remaining	109,289
		(iii) 4 years remaining	0
		(iv) 3 years remaining	0
		(v) 2 years remaining	0
		(vi) 1 year remaining	0
	(b)	Total annual installments	188,262
	(c)	Present value of annual installments	
		(i) 6 years remaining	426,751
		(ii) 5 years remaining	509,670
		(iii) 4 years remaining	0
		(iv) 3 years remaining	0
		(v) 2 years remaining	0
		(vi) 1 year remaining	0
	(d)	Total present value of annual installments	936,421
6.	Exemption from new shortfall amortization base		
	(a)	Target liability percentage	96%
	(b)	Shortfall funding target: (2)x(a)	6,412,919
	(c)	Prefunding Balance if used to reduce the Minimum Required Contribution, else 0	0
	(d)	Exempt?: [(3)(a)-(c)]>=(b)	No
7.	Shortfall amortization base		
	(a)	Adjusted funding shortfall: (6)(b)-(3)(d), not less than 0	1,852,828
	(b)	New current year base: (a)-(5)(d), or 0 if exempt	916,407
	(c)	New 7-year installment amount	150,211
8.	Shortfall amortization charge:		$338,473

ATTACHMENT TO 2010 SCHEDULE SB (FORM 5500)

VERNON TELEPHONE COOPERATIVE DEFINED BENEFIT PENSION PLAN

EIN: 39-0838123 PN: 002

Line 8c - Schedule of Active Participant Data

	YEARS OF CREDITED SERVICE																				
	Under 1		1 to 4		5 to 9		10 to 14		15 to 19		20 to 24		25 to 29		30 to 34		35 to 39		40 & up		
Attained Age	No.	Avg Comp	No.	Avg Comp	No.	Avg Comp	No.	Avg 0	No.	Avg Comp	No.	Avg Comp	No.	Avg Comp	No.	Avg Comp	No.	Avg Comp	No.	Avg Comp	Total
Under 25	0		1		0		0		0		0		0		0		0		0		**1**
25 to 29	0		2		1		0		0		0		0		0		0		0		**3**
30 to 34	0		3		0		0		0		0		0		0		0		0		**3**
35 to 39	0		2		2		1		0		0		0		0		0		0		**5**
40 to 44	0		1		0		3		1		1		0		0		0		0		**6**
45 to 49	0		1		0		1		0		1		0		1		0		0		**4**
50 to 54	0		0		0		3		1		0		0		2		0		0		**6**
55 to 59	0		1		1		0		1		0		0		0		0		0		**3**
60 to 64	0		1		1		0		0		0		0		0		0		0		**2**
65 to 69	0		1		0		0		0		0		0		0		0		0		**1**
70 & up	0		0		0		0		0		0		0		0		0		0		**0**
Total	**0**		**13**		**5**		**8**		**3**		**2**		**0**		**3**		**0**		**0**		**34**

Attachment to 2010 Form 5500, Schedule SB, Part V
EIN: 39-0838123 PN: 002
Vernon Telephone Cooperative
Defined Benefit Pension Plan

Summary of Plan Provisions
October 1, 2010

Plan Effective Date: January 1, 1987

Eligibility Requirements - Plan Participation

Minimum Age:	21
Months of Service:	12
Hours Required:	1000

Entry Date: First Day of Plan year nearest to completion of Eligibility Requirements

Eligibility Requirements - Normal Retirement

Normal Retirement Age:	Age 65
Minimum Years of Participation:	5

In accordance with Federal Regulations, participants are fully vested upon reaching their Normal Retirement Date

Eligibility Requirements - Early Retirement

Early Retirement: Age 55 and 3 years of service

The Early Retirment Benefit will be the present value of Accrued Benefits. If the Rule of 80 applies, the Early Retirement Benefit will be unreduced Accrued Benefit if payable in the form of an annuity

Death and Disability Benefits

The Plan pays death and disability benefits equal to the present value of the accrued benefit.

Attachment to 2010 Form 5500, Schedule SB, Part V
EIN: 39-0838123 PN: 002
Vernon Telephone Cooperative
Defined Benefit Pension Plan

Summary of Plan Provisions
October 1, 2010

Method of Payment of Normal Retirement Pension Benefit

The Monthly Normal Retirement Pension is payable in the following form:

Life Annuity with 10 years certain

Amount of Monthly Normal Retirement Pension

The Monthly Pension payable to a retired Participant shall be as follows:

2.7% of the Participant's Average Monthly Compensation per year of service

Monthly Compensation shall mean the Participant's Highest Average 5 Year's earnings during his 10 years prior to Retirement or Termination

Benefits on Termination of Employment - Vesting

Employees are Vested in their Accrued Monthly Pension Benefit in accordance with the following Schedule:

Years of Vesting Service	Vested Percentage
0 to 2	0%
3	100%

Years of service for Vesting purposes are defined as all years of employmnet with the Employer.

Funding of Plan Benefits

Attachment to 2010 Form 5500, Schedule SB, Part V
EIN: 39-0838123 PN: 002
Vernon Telephone Cooperative
Defined Benefit Pension Plan

Summary of Plan Provisions
October 1, 2010

TEFRA MINIMUM BENEFITS

If the plan become Top Heavy in a plan year, the benefits and vesting described below will apply.

Retirement Benefit: An employee wil earn a minimum of 2.0% of Monthly Compensation for each year of Top Heavy Service. Monthly Compensation shall mean the averge of the high five years' compensation.

Normal Form: Life Annuity with 10 Years Certain.

Minimum Vesting; The following schedule will replace the vesting schedule listed above.:

Years of Vesting Service	Vested Percentage
0 to 1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Attachment to 2010 Form 5500, Schedule SB, Line 25
EIN: 39-0838123 PN: 002

Vernon Telephone Cooperative
Defined Benefit Pension Plan

Change in Actuarial Methods and Assumptions
October 1, 2010

Change in Assumptions

None

SCHEDULE SB (Form 5500)	Single-Employer Defined Benefit Plan Actuarial Information	OMB No. 1210-0110
Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6059 of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500 or 5500-SF.	2010 This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning 10/01/2010 and ending 09/30/2011

▶ **Round off amounts to nearest dollar.**

▶ **Caution:** A penalty of $1,000 will be assessed for late filing of this report unless reasonable cause is established.

A Name of plan: Vernon Telephone Cooperative Defined Benefit Pension Plan

B Three-digit plan number (PN) ▶ 002

C Plan sponsor's name as shown on line 2a of Form 5500 or 5500-SF: Vernon Telephone Cooperative

D Employer Identification Number (EIN): 39-0838123

E Type of plan: [X] Single [ ] Multiple-A [ ] Multiple-B

F Prior year plan size: [X] 100 or fewer [ ] 101-500 [ ] More than 500

Part I Basic Information

1	Enter the valuation date: Month 10 Day 1 Year 2010			
2	Assets:			
a	Market value	2a		4,600,194
b	Actuarial value	2b		4,560,090
3	Funding target/participant count breakdown		(1) Number of participants	(2) Funding Target
a	For retired participants and beneficiaries receiving payment	3a	9	3,323,103
b	For terminated vested participants	3b	9	109,320
c	For active participants:			
(1)	Non-vested benefits	3c(1)		927,839
(2)	Vested benefits	3c(2)		2,319,862
(3)	Total active	3c(3)	34	3,247,701
d	Total	3d	52	6,680,124
4	If the plan is at-risk, check the box and complete items (a) and (b) [ ]			
a	Funding target disregarding prescribed at-risk assumptions	4a		
b	Funding target reflecting at-risk assumptions, but disregarding transition rule for plans that have been at-risk for fewer than five consecutive years and disregarding loading factor	4b		
5	Effective interest rate	5		6.28 %
6	Target normal cost	6		362,008

Statement by Enrolled Actuary

To the best of my knowledge, the information supplied in this schedule and accompanying schedules, statements and attachments, if any, is complete and accurate. Each prescribed assumption was applied in accordance with applicable law and regulations. In my opinion, each other assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such other assumptions, in combination, offer my best estimate of anticipated experience under the plan.

SIGN HERE Stephen N. Eisenstein — 7/3/2012

Signature of actuary — Date

Stephen N. Eisenstein — 11-04557

Type or print name of actuary — Most recent enrollment number

The Newport Group — (608) 784-1885

Firm name — Telephone number (including area code)

500 Second Street South, Suite 100

La Crosse WI 54601

Address of the firm

If the actuary has not fully reflected any regulation or ruling promulgated under the statute in completing this schedule, check the box and see instructions [ ]

Part II Beginning of year carryover and prefunding balances

		(a) Carryover balance	(b) Prefunding balance
7	Balance at beginning of prior year after applicable adjustments (Item 13 from prior year)	0	0
8	Portion used to offset prior year's funding requirement (Item 35 from prior year)	0	0
9	Amount remaining (Item 7 minus item 8)	0	0
10	Interest on item 9 using prior year's actual return of 7.63 %		
11	Prior year's excess contributions to be added to prefunding balance:		
a	Excess contributions (Item 38 from prior year)		3,852
b	Interest on (a) using prior year's effective rate of 6.69 %		258
c	Total available at beginning of current plan year to add to prefunding balance		4,110
d	Portion of (c) to be added to prefunding balance		0
12	Reduction in balances due to elections or deemed elections	0	0
13	Balance at beginning of current year (item 9 + item 10 + item 11d - item 12)	0	0

Part III Funding percentages

14	Funding target attainment percentage	14	68.26 %
15	Adjusted funding target attainment percentage	15	68.26 %
16	Prior year's funding percentage for purposes of determining whether carryover/prefunding balances may be used to reduce current year's funding requirement	16	76.19 %
17	If the current value of the assets of the plan is less than 70 percent of the funding target, enter such percentage	17	68.26 %

Part IV Contributions and liquidity shortfalls

18 Contributions made to the plan for the plan year by employer(s) and employees:

(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees	(a) Date (MM-DD-YYYY)	(b) Amount paid by employer(s)	(c) Amount paid by employees
01/14/2011	175,000				
03/10/2011	175,000				
05/11/2011	175,000				
08/25/2011	219,365				
			Totals ► 18(b)	744,365	18(c) 0

19	Discounted employer contributions - see instructions for small plan with a valuation date after the beginning of the year:		
a	Contributions allocated toward unpaid minimum required contribution from prior years	19a	
b	Contributions made to avoid restrictions adjusted to valuation date	19b	
c	Contributions allocated toward minimum required contribution for current year adjusted to valuation date	19c	718,668

20 Quarterly contributions and liquidity shortfalls:

a Did the plan have a "funding shortfall" for the prior year? [X] Yes [ ] No

b If 20a is "Yes," were required quarterly installments for the current year made in a timely manner? [X] Yes [ ] No

c If 20a is "Yes," see instructions and complete the following table as applicable:

Liquidity shortfall as of end of Quarter of this plan year

(1) 1st	(2) 2nd	(3) 3rd	(4) 4th
0	0	0	0

Part V Assumptions used to determine funding target and target normal cost

21 Discount rate:

a Segment rates:

1st segment:	2nd segment:	3rd segment:	☐ N/A, full yield curve used
3.61 %	6.20 %	6.53 %	

b Applicable month (enter code)	**21b**	0
22 Weighted average retirement age	**22**	60

23 Mortality table(s) (see instructions) ☒ Prescribed - combined ☐ Prescribed - separate ☐ Substitute

Part VI Miscellaneous items

24 Has a change been made in the non-prescribed actuarial assumptions for the current plan year? If "Yes," see instructions regarding required attachment		☐ Yes ☒ No
25 Has a method change been made for the current plan year? If "Yes," see instructions regarding required attachment		☐ Yes ☒ No
26 Is the plan required to provide a Schedule of Active Participants? If "Yes," see instructions regarding required attachment		☒ Yes ☐ No
27 If the plan is eligible for (and is using) alternative funding rules, enter applicable code and see instructions regarding attachment	**27**	

Part VII Reconciliation of unpaid minimum required contributions for prior years

28 Unpaid minimum required contribution for all prior years	**28**	0
29 Discounted employer contributions allocated toward unpaid minimum required contributions from prior years (item 19a)	**29**	
30 Remaining amount of unpaid minimum required contributions (item 28 minus item 29)	**30**	0

Part VIII Minimum required contribution for current year

31 Target normal cost, adjusted, if applicable (see instructions)		**31**	362,008
32 Amortization installments:	Outstanding Balance		Installment
a Net shortfall amortization installment	2,120,033		338,473
b Waiver amortization installment			
33 If a waiver has been approved for this plan year, enter the date of the ruling letter granting the approval (Month _____ Day _____ Year _____) and the waived amount		**33**	
34 Total funding requirement before reflecting carryover/prefunding balances (item 31 + item 32a + item 32b - item 33)		**34**	700,481

	Carryover balance	Prefunding balance	Total balance
35 Balances used to offset funding requirement			0

36 Additional cash requirement (item 34 minus item 35)	**36**	700,481
37 Contributions allocated toward minimum required contribution for current year adjusted to valuation date (Item 19c)	**37**	718,668
38 Interest-adjusted excess contributions for current year (see instructions)	**38**	18,187
39 Unpaid minimum required contribution for current year (excess, if any, of item 36 over item 37)	**39**	0
40 Unpaid minimum required contribution for all years	**40**	0

Attachment to 2010 Form 5500, Schedule SB, Lines 22 and Part V
EIN: 39-0838123 PN: 002

Vernon Telephone Cooperative
Defined Benefit Pension Plan

Actuarial Methods and Assumptions
October 1, 2010

ACTUARIAL METHOD

Funding Target and Target Normal Cost — Unit Credit per PPA Funding rules

Asset Method

The actuarial value of assets is the average of the fair market value of assets on the valuation date and the adjusted fair market value of assets determined as of the two preceding valuation dates ("determination date(s)"). The adjusted fair market value of assets as of a determination date is the fair market value of plan assets on that date, increased for contributions included in the plan's asset balance on the valuation date that were not included in the plan's asset balance on the determination date, and decreased for benefits and administrative expenses paid from plan assets between that determination date and the valuation date adjusted for expected return using an assumed interest rate chosen by the actuary which may not be greater than the third applicable segment rate foe the plan year. The resulting actuarial value of plan assets may not be less than 90% nor greater than 110% of the market value of plan assets on the valuation date. The expected return assumption used was 6.25% for the plan years beginning in 2008 and 2009.

ACTUARIAL ASSUMPTIONS

Interest Rates

First Segment Interest Rate	3.61%
Second Segment Interest Rate	6.20%
Third Segment Interest Rate	6.53%
Lookback Month	Month of Valuation Date
Transition Rule	Not Used

Mortality of Employees — Combined Static Mortality table projected to valuation date

Non-Investment Expenses — $0

Salary Increases — 4.00%

Termination Rates

Age	Rate
25	0.00%
40	0.00%
55	0.00%

Assumed Retirement Age — 60

Disablement Rates — None

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EIN: 39-0838123 PN: 002

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